

MROS

Money Laundering Reporting Office Switzerland

3rd Annual Report



2000

Federal Department of Justice and Police
Federal Office for Police

MROS

3rd Annual Report

2 July 2001

2000

Federal Department of Justice and Police
Federal Office for Police

Money Laundering Reporting Office Switzerland
CH-3003 Bern

Telephone: (+41) 031 323 40 40
Fax: (+41) 031 323 39 39
E-Mail: mros.info@bap.admin.ch

Internet: <http://www.admin.ch/bap>

Table of contents

1.	Introduction	5
2.	Annual statistics of MROS	9
2.1.	New reporting period for the 3 rd Annual Report	9
2.2.	General findings	9
2.3.	Detailed statistics	10
2.3.1	Overview MROS 2000	10
2.3.2	Monthly statistics of incoming reports	11
2.3.3	Home cantons of reporting financial intermediaries	12
2.3.4	Originator of the reports	14
2.3.5	Type of bank	15
2.3.6	Grounds on which reports are based	16
2.3.7	Nature of offences	18
2.3.8	Domicile of customers	20
2.3.9	Nationality of customers	22
2.3.10	Domicile of beneficial owners	24
2.3.11	Nationality of beneficial owner	26
2.3.12	Prosecution authorities involved	28
2.3.13	Number of requests from other Financial Intelligence Units (FIU)	30
3.	Typologies	31
3.1.	Surgeon, high ranking member of military staff, electrician?	31
3.2.	A gift for the wife	32
3.3.	Clarification with the help of the Internet	32
3.4.	340 000 Francs in a backpack	32
3.5.	How to avoid distraint of your salary	32
3.6.	Unscrupulous profiteers and their credulous victims: An endless story	33
3.7.	In the casino with a company credit card	33
3.8.	An effective surveillance of account movements	34
3.9.	The ever-changing life insurance policy	34
3.10.	A loan financed by drug trafficking	34
3.11.	A railroad line in Africa	35
3.12.	An investment counsellor with few scruples	35
3.13.	Credits and commissions “by hook or by crook“	36
4.	International	37
4.1.	Memorandum of Understanding	37
4.2.	Egmont Group	37
4.3.	Financial Action Task Force on Money Laundering (FATF)	37
5.	Internet-Links	39
5.1.	Switzerland	39
5.2.	International	39
5.3.	International Organisations	39

1. Introduction

2000 was an eventful year both for the Federal Office for Police (FOP) and for the Money Laundering Reporting Office Switzerland (MROS). Many decisions were taken as a result of the restructuring of the police services within the Federal Department of Justice and Police (Strupol) that also affected the Central Office for Criminal Police Matters, especially the criminal analysis section, and thus MROS as part of that section.

These decisions are directly connected with the so-called efficiency bill passed by the Federal Council on 22 December 1999. Article 340bis of the Swiss Penal Code, which is planned to take effect at the beginning of 2002, grants the federal government their own investigative powers in the area of organised crime, money laundering and in part, economic crimes.

Article 340bis SPC¹

- 1 The federal jurisdiction also covers criminal offences under Articles 260ter, 288, 305bis, 305ter, 315 and 316 as well as crimes by a criminal organization as defined by Article 260ter, if the criminal offence was initiated:
 - a. to a considerable degree in a foreign country, or
 - b. in several cantons with no specific concentration in a single canton.
- 2 In case of an offence against the second and eleventh titles, the federal prosecutor's office can open a judicial inquiry if:
 - a. The provisions of paragraph 1 exist; and
 - b. no cantonal prosecution authority is engaged in the case or the responsible cantonal prosecution authority has requested the Federal Department of Justice to take over.
- 3 The opening of the judicial inquiry according to paragraph 2 establishes federal jurisdiction.

These legislative and organisational changes have resulted in a new strategic direction of the measures at the federal level. The fight against money laundering is one of the primary tasks of the new Federal Office for Police. The new concept of the FOP, which went into effect on 1 January 2001, focuses on the following points regarding the fight against money laundering:

- **MROS: Now a section with more personnel**

As the liaison between the financial world and the criminal justice system, MROS is an important element in the strategy on fighting money laundering. For this reason, in the new FOP hierarchy, MROS has been upgraded from a service unit to a full-fledged section. MROS is now directly attached to the Head of the Services Division. Additionally, MROS was enlarged with two new posts and now comprises a team of six collaborators.
- **MROS as part of an integrated system**

In the reorganised FOP there is no longer one single competency centre for money laundering cases. The fight against money laundering will instead be conducted by various specialised units throughout the whole FOP. MROS is

¹ BBI 2000 70ff.

therefore just one link in the line of defence. In the new FOP, two additional units are engaged in the fight against money laundering:

- The Service for Analysis and Prevention (SAP) through the analysis of various modus operandi and through situation reports;
- The Federal Criminal Police (FCP) in the framework of the new investigative powers of the Federal Government according to Art. 340bis SPC.

Additional important offices within the Federal Department of Justice and Police dedicated to the fight against money laundering are:

- The Office of the Attorney General as the lead of prosecution for future federal investigations by the federal criminal police in money laundering cases and for the execution of certain judicial assistance proceedings.
- The Division for International Judicial Assistance in Criminal Matters, which was transferred from the FOP to the Federal Office for Justice as of 1 July 2000. This office continues to serve as the centre for international judicial assistance in criminal matters.

The former head of MROS, Daniel Thelesklaf, his deputy Mark van Thiel, as well as the two other team members resigned their posts as of the end of 2000. Thelesklaf, a lawyer and banking specialist, took up his post in the FOP on 1 February 1998 and - together with his team - organised the reporting office as prescribed by the new money laundering act. Since its inception on 1 April 1998, MROS has developed into an important instrument in Switzerland's overall strategy against money laundering and has received positive responses both at home and abroad. At this point, therefore, thanks are due to Mr. Thelesklaf and his team for their dedicated and constructive efforts in the fight against money laundering.

The executive positions could be newly filled before the end of the year. The new head of MROS, Judith Voney, is a lawyer who previously headed the unit in charge of prosecuting economic, drug-related and organised crime at the Criminal Police of the Canton of Berne for seven and a half years, for more than five years of which she was deputy head of the Criminal Division. Judith Voney has completed leadership training at the Swiss Police Institute at Neuchâtel (SPIN) as well as a training of several months at the FBI National Academy and thus has the necessary national and international contacts at her disposal.

Lorenzo Gerber, a Banking specialist and lawyer, has been engaged as Deputy Head. As a former member of the directorate of a major Swiss bank, Lorenzo Gerber brings with him a tremendous knowledge of the field. In the course of his previous duties, he dealt with international financial transactions, flows of funds, and was responsible for the coming into force of the agreement of the Swiss banks on the due diligence in relation to money laundering.

In the intermediate phase of rehiring, financial specialists from the FOP insured the continued smooth operation of MROS. The tasks of MROS could therefore always be carried out in accordance with the laws and regulations even during the transition phase.

Judith Voney
Head of Money Laundering Reporting Office Switzerland (MROS)
July 2001

2. Annual statistics of MROS

2.1. New reporting period for the 3rd Annual Report

The reporting period has been redefined due to the reorganisation of the FOP but also because statistics and status reports in other fields - especially the financial world - are based on the calendar year. The first and second annual reports (1998/1999 and 1999/2000) were each based on a business year beginning 1 April and ending 31 March of the following year. The current report now covers the period of 1 January to 31 December 2000, the figures from the previous year were newly calculated. The first three months of 2000 have therefore again been included in this third annual report. As a slight disadvantage of this new practice, the third annual report cannot be directly compared to its predecessors.

2.2. General findings

There were 311 reports from financial intermediaries received by MROS during the reporting and calendar year under review. In actual numbers, this reflects only eight more reports than in 1999, but considerably less in value – about 655 million Swiss Francs – compared with the previous year (1.374 million Swiss Francs).

Upon closer examination, however, positive qualitative changes can be noticed, which in combating money laundering are more important than pure quantitative gains. 1999 was particularly influenced by two huge cases, "Bank of New York" and "Abacha", which generated a great number of individual reports with a large impact on the statistics and which concerned very large amounts of money. In 2000, these types of spectacular cases are missing. Nearly all of the 311 reports registered represent separate cases, which means in effect that the number of actual reports in 2000 has substantially risen.

In the year under review, 77% of the incoming reports were forwarded to the prosecution authorities following examination, 11% more than 1999. The quality of the reports submitted has therefore improved again.

Whereas in the beginning banks submitted reports almost solely, during the year 2000 other financial intermediaries started reporting more often. While in 1999, numerous reports were submitted based on reports in the media, in 2000 serious and efficient auditing of the financial intermediaries themselves increasingly led to valuable reports.

There is a noticeable increase in the number of Swiss citizens and Swiss-based companies involved as well as a marked decrease in companies domiciled in off-shore financial centres. It is still too early to interpret this tendency, but one possible explanation could be that more front companies or front men are being used in Switzerland for the purpose of laundering money due to the added difficulty for off-shore companies to conduct financial affairs in Switzerland because of heightened vigilance of the financial intermediaries.

2.3. Detailed statistics

2.3.1 Overview MROS 2000

Summary business year (1 Jan – 31 Dec 2000)

	2000			1999	
	Absolute	Relative	+/-	Absolute	Relative
Number of reports					
Total received	311	100%	+2.6%	303	100.0%
Forwarded to prosecution authorities	240	77%	+16.6%	200	66.0%
Not forwarded	71	23%	-32.3%	103	34.0%
Pending	0	0%		0	0.0%
Type of financial intermediary					
Banks	234	75.2%		260	85.8%
Companies providing payment services	33	10.6%		13	4.3%
Fiduciaries	17	5.5%		8	2.6%
Investment advisors	12	3.9%		7	2.3%
Insurance companies	2	0.6%		5	1.7%
Attorneys	7	2.3%		6	2.0%
Currency exchanges	1	0.3%		0	0.0%
Others	1	0.3%		0	0.0%
Credit card companies	2	0.6%		2	0.7%
Securities traders	0	0.0%		2	0.7%
Casinos	2	0.6%		0	0.0%
Reported values in CHF					
<i>(Total effective assets at time of report)</i>					
Grand total	655 654 826	100%		1 374 007 459	100.0%
Total for forwarded cases	615 965 442	94%		1 283 867 306	93.0%
Total for cases not forwarded	39 689 385	6%		90 140 153	7.0%
Total for pending cases	0	0%		0	0.0%
Average value of report (total)	2 108 215			4 534 678	
Average value of report (forwarded)	2 566 523			6 419 337	
Average value of report (not forwarded)	559 005			875 147	
Average value of report (pending)	0			0	

2.3.2 Monthly statistics of incoming reports

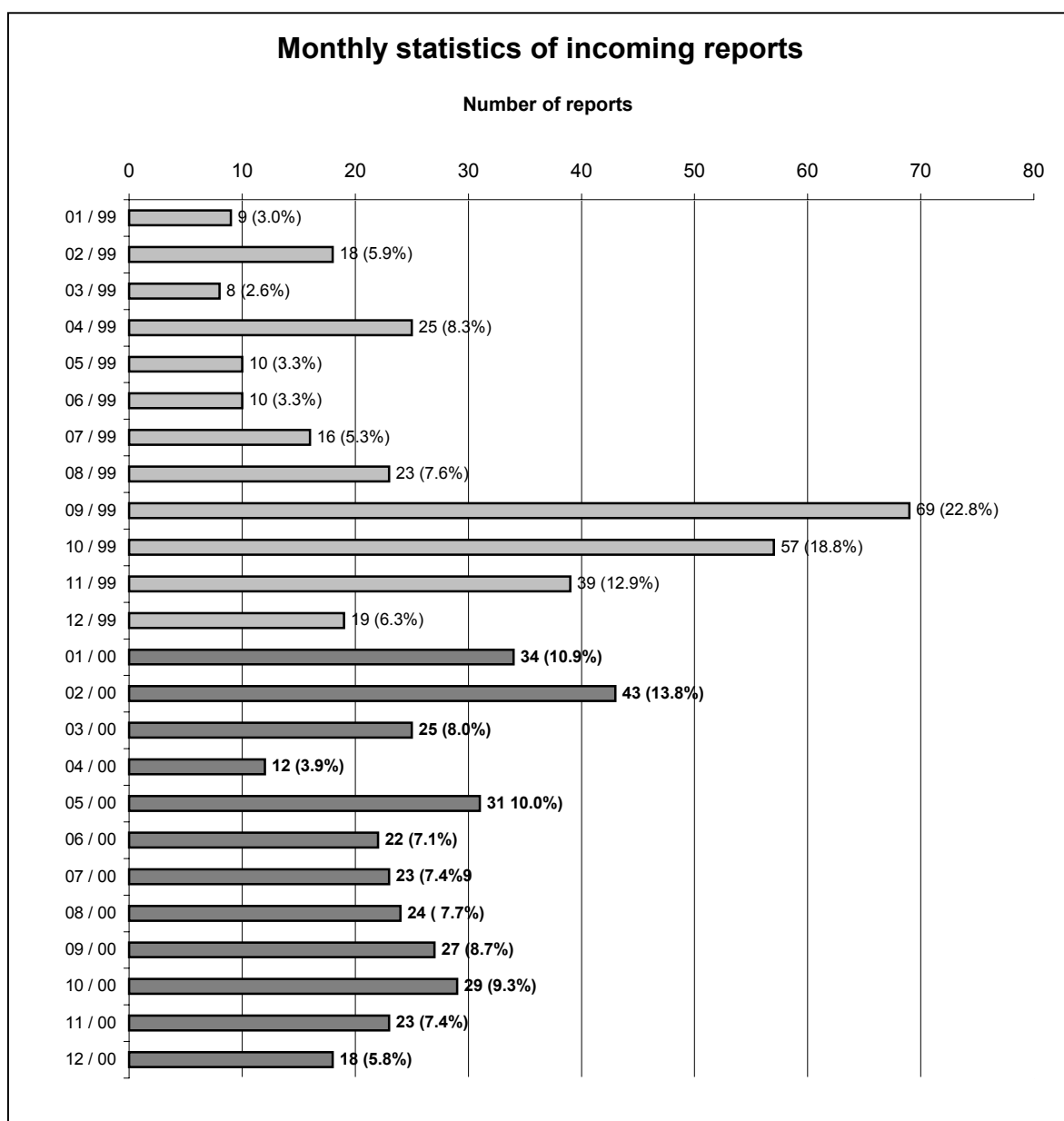
What the chart represents

This graphic shows the monthly distribution of reports for both 1999 and 2000.

What the chart indicates

There was total of 311 reports submitted during 2000. These were distributed relatively evenly throughout the entire year (monthly average 2000 = 25.9) as opposed to 1999 (303 Reports), where there was a peak in autumn due to two spectacular cases, "Bank of New York" and "Abacha" (monthly average 1999 = 25.2).

There is a general tendency towards an increase in the number of reports independently of spectacular and media-intensive individual cases.



2.3.3 Home cantons of reporting financial intermediaries

What the chart represents

This chart shows the cantons from which the financial intermediaries submitted their reports to MROS, as opposed to the chart "Prosecution Authorities Involved" (2.3.12), in which it is indicated to which prosecution authorities the reports were forwarded.

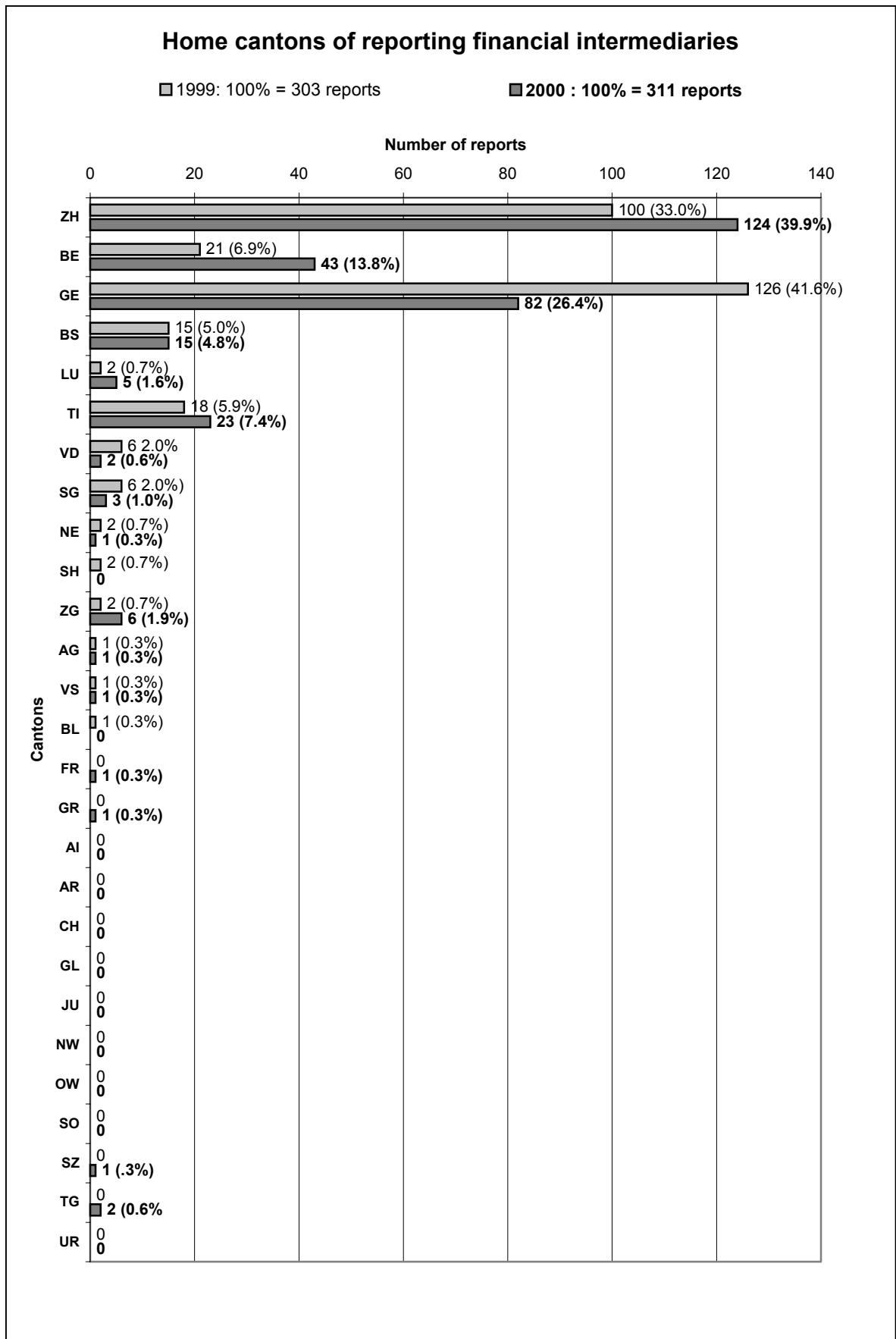
What the chart indicates

As in the previous reporting year, about 92% of the reports to MROS during 2000 were from financial intermediaries domiciled in the cantons of Zurich, Geneva, Berne, Ticino and Basel-Stadt. While in 1999, the canton of Geneva had topped the list with 42% of the reports, in 2000 the canton of Zurich is on top with 40%. Remarkably, since the introduction of the Money Laundering Act, not a single report has originated from the cantons of both Appenzell, Glarus, Uri, Obwalden and Nidwalden.

A comparison with the chart showing the prosecuting authorities involved (2.3.12) shows that about 85% of the cases sent to prosecution authorities were passed on to those cantons (Zurich, Geneva, Berne, Ticino and Basel-Stadt) in which the majority of reporting financial intermediaries are also based (92%).

Caption

AG	Aargau
BE	Berne
BL	Basel-Landschaft
BS	Basel-Stadt
FR	Fribourg
GE	Geneva
GR	Grison
JU	Jura
LU	Lucerne
NE	Neuchâtel
SG	St. Gallen
SH	Schaffhausen
SO	Solothurn
SZ	Schwyz
TG	Thurgau
TI	Ticino
VD	Vaud
VS	Valais
ZG	Zug
ZH	Zurich



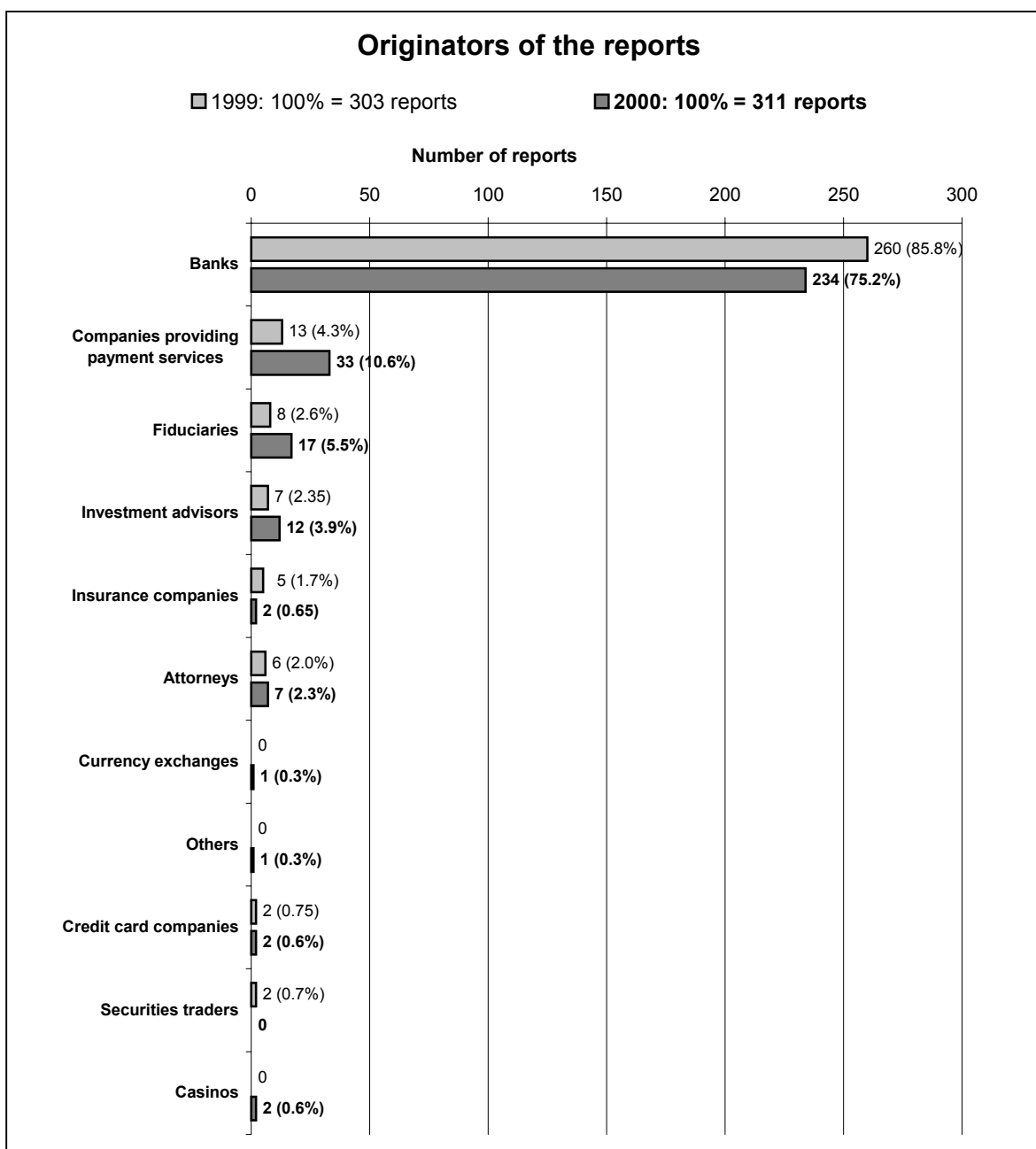
2.3.4 Originator of the reports

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

Once again, the banks submitted the lion's share of reports (2000: 75.2%; 1999: 85.8%). There was a considerable increase in reports from fiduciaries, investment advisors and companies providing payment services (2000: 20%; 1999: 9.2%). There are still only a handful of reports coming from lawyers (2000: 2.3%; 1999: 2.0%) and insurance companies (2000: 0.65%; 1999: 1.7%).



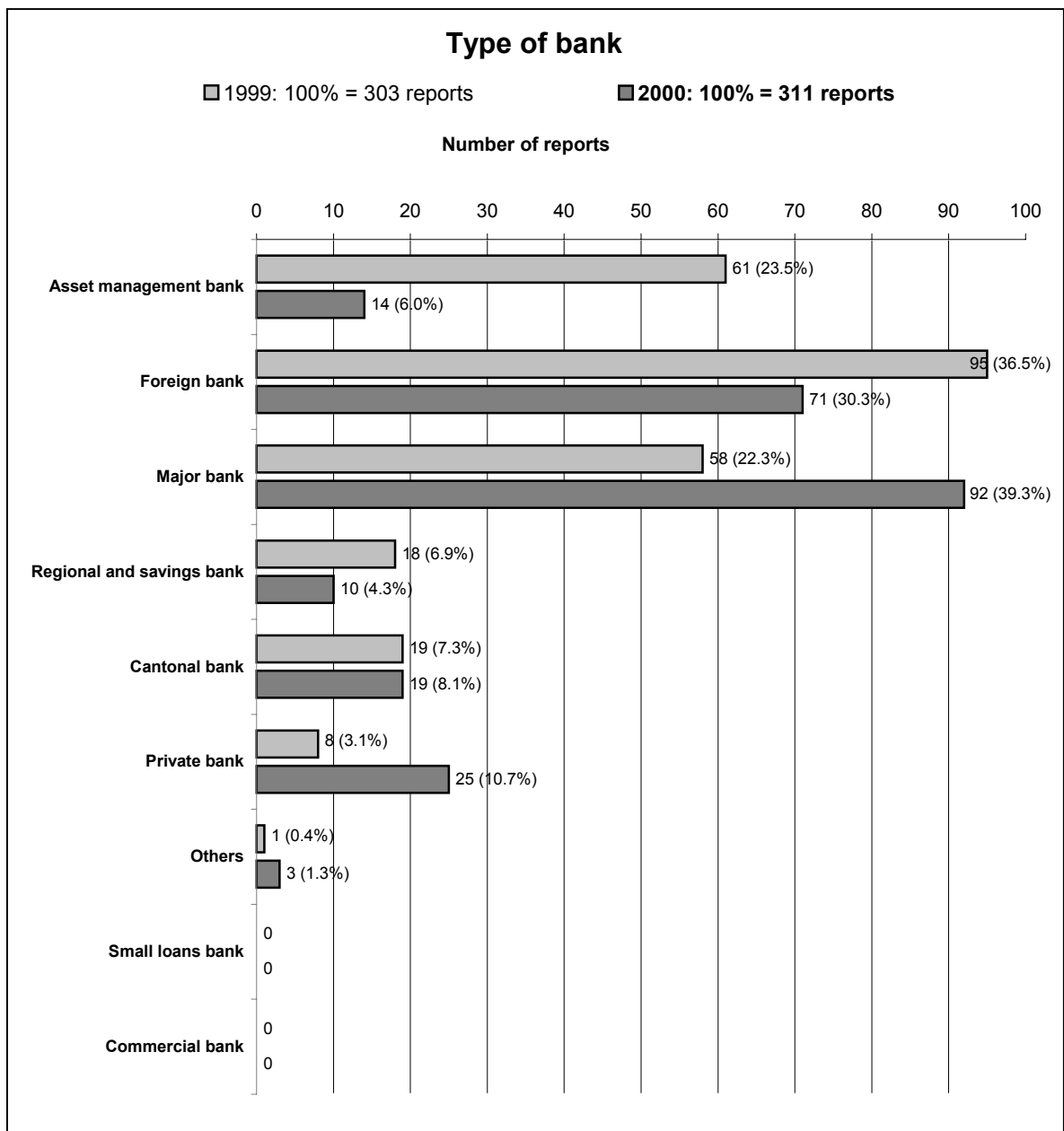
2.3.5 Type of bank

What the chart represents

This chart shows the type of banks and the number of reports submitted by each.

What the chart indicates

Due to the influence of the two big cases "Bank of New York" and "Abacha", most of the reports in 1999 came from asset management and foreign banks (60%). In the current year, most reports stemmed from Switzerland's major banks (39.3%). Because money laundering cases commonly involve cross-border activities, relatively few reports originate from regional or savings institutions and cantonal banks. The number of reports submitted by private banks more than tripled (from 3.1% in 1999 to 10.7% in 2000).



2.3.6 Grounds on which reports are based

What the chart represents

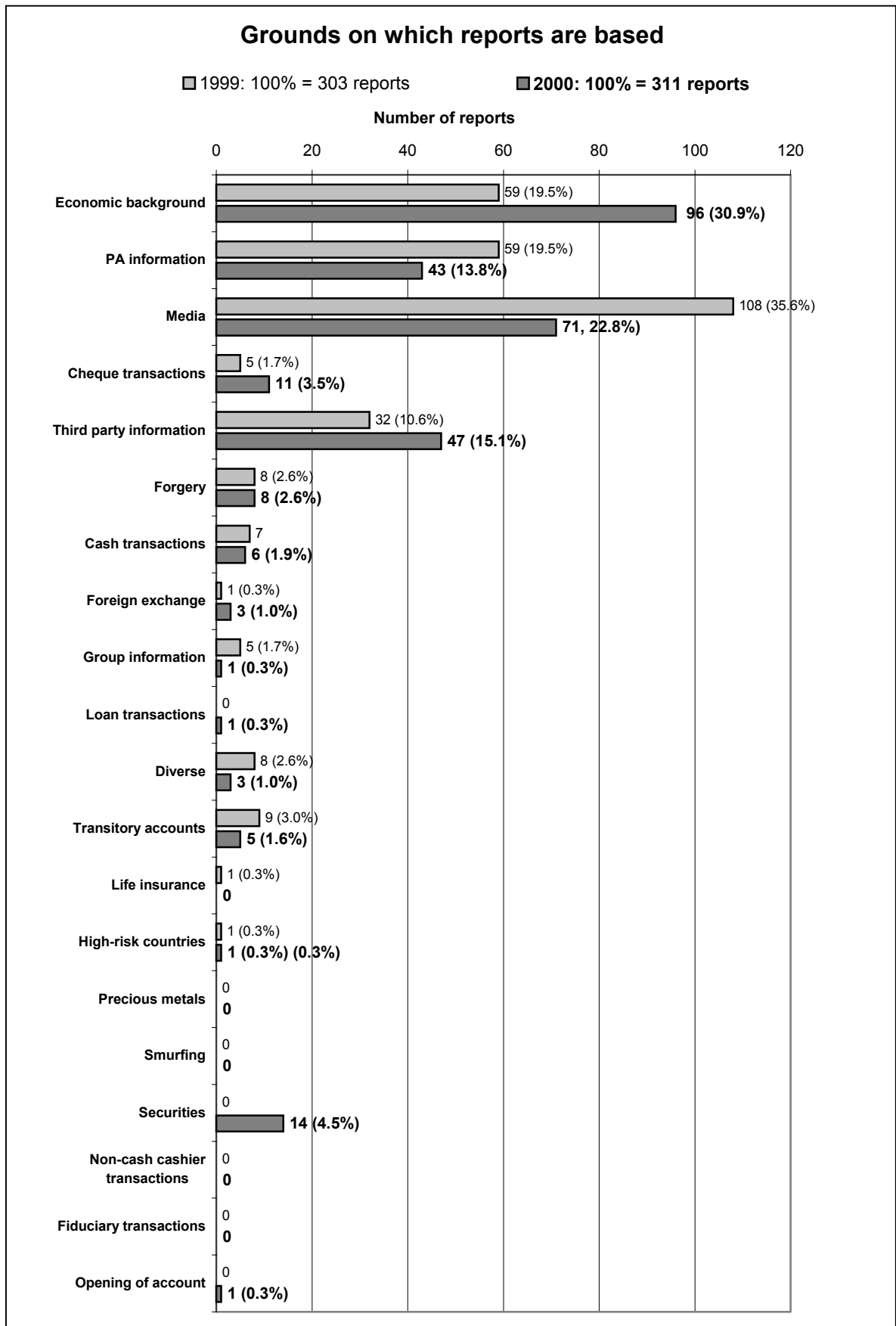
This chart shows the reasons that prompted financial intermediaries to file suspicious transaction reports.

What the chart indicates

In 2000 “unclear economic background“ replaced “media information” as the most common starting point for reasonable suspicion leading to the filing of a report. This is an indication that the financial intermediaries have increased critical analysis and regular observation of their daily business. The media remain an important source of information for the financial intermediaries. Reports in connection with securities and stock transactions showed a marked increase (1999: 0%; 2000: 4.5%).

Caption

Economic background	The economic background of a transaction is either unclear or cannot be satisfactorily explained by the customer.
PA information	The prosecution authorities initiate proceedings against an individual connected with the financial intermediary’s customer
Media	A person involved in a financial transaction is indicated by media reports to be involved in illicit activities
Cheque transactions	Large volume of cheque transactions, attempts to cash cheques
Third party information	Financial intermediaries are informed by 3 rd party sources about possibly suspect customers
Forgery	Forged money or forged documents submitted to the bank in order to obtain a financial advantage
Cash transactions	Cash transactions (excluding foreign exchange)
Foreign exchange	Unusual foreign exchange transactions
Group information	Information concerning dubious customers is supplied by one company in a group to another
Loan transactions	Financial transactions in connection with loans or leasing deals
Transitory accounts	Credit entries and swift transfers or withdrawals of assets from accounts
Life insurance	Life insurance policies purchased under dubious circumstances
High-risk countries	The financial intermediaries regard the nationality or domicile of the customer as suspect
Precious metals	Transactions with precious metals and stones
Smurfing	Planned and repeated deposits or transactions with amounts below the level requiring identification.



2.3.7 Nature of offences

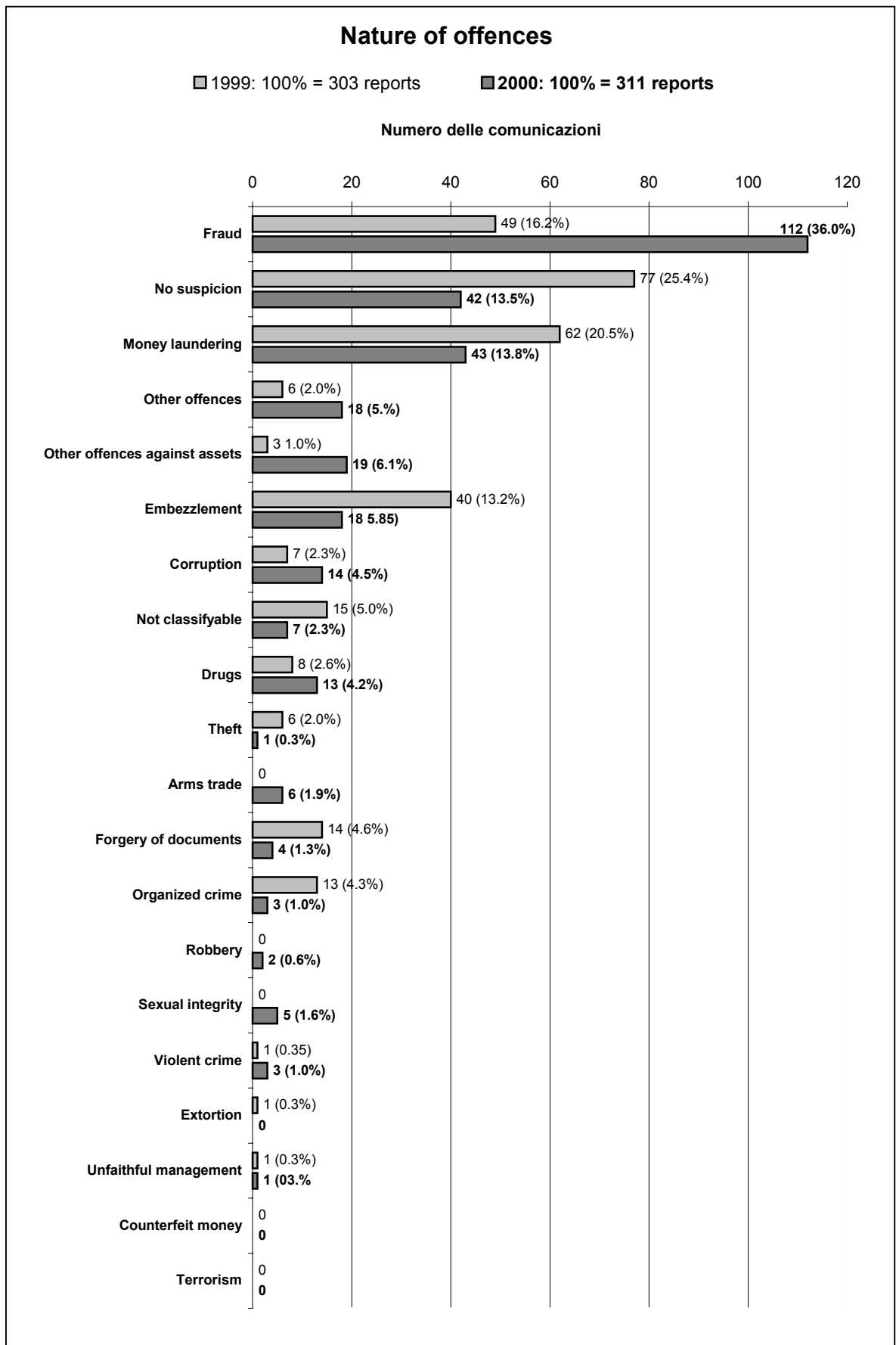
What the chart represents

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

It should be noted that this classification is based only on the findings of the financial intermediaries and MROS. When a report is passed on to the prosecution authorities, they will then determine the offence in a binding way.

Once again, offences in the field of economic crimes dominate the statistics. The two-fold increase in the number of reports in connection with bribery is remarkable (1999: 7 reports, 2000: 14 reports).



2.3.8 Domicile of customers

What the chart represents

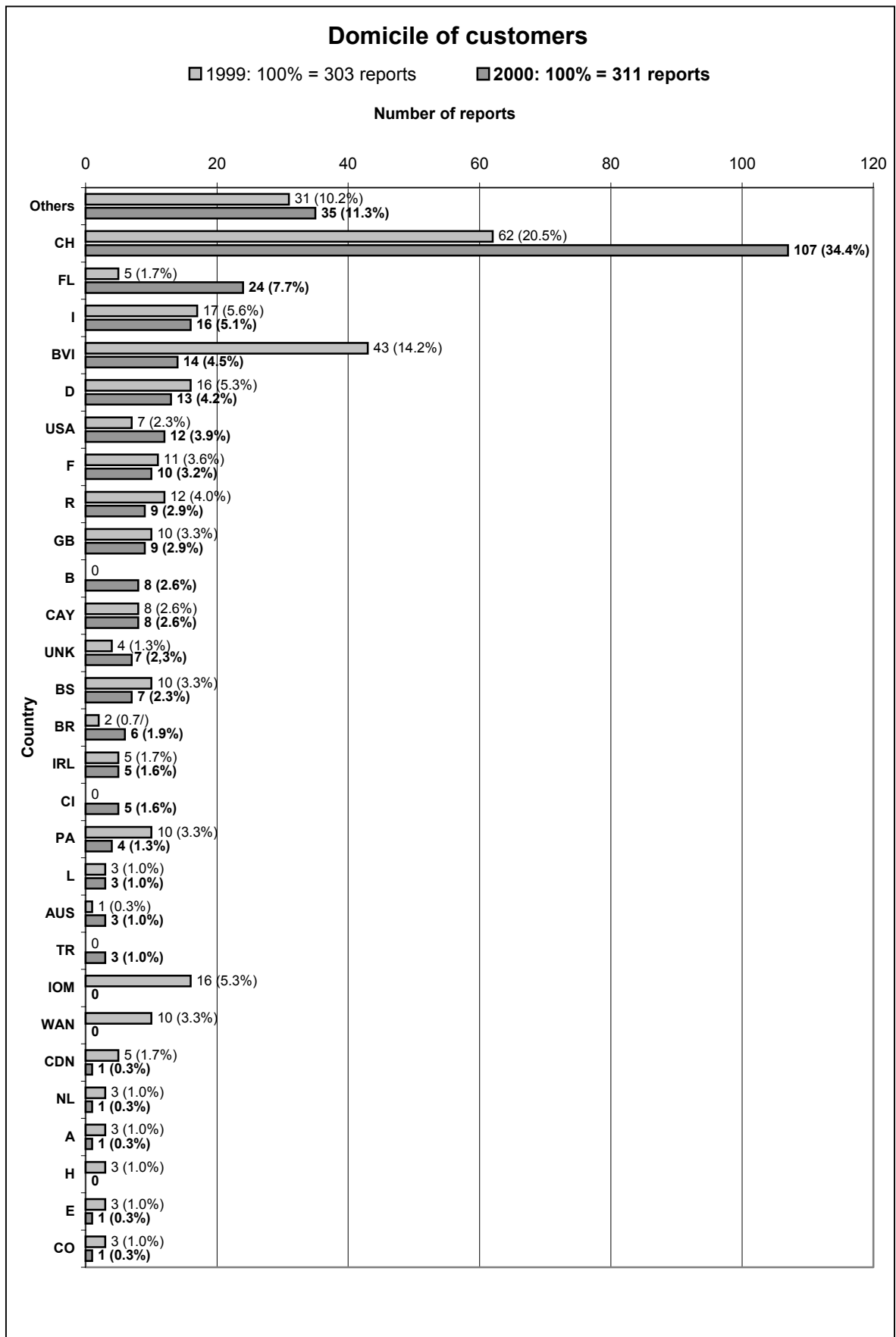
This chart shows the domicile of corporate bodies and the residence of physical persons who were the customers of the financial intermediaries.

What the chart indicates

61.7% of the customers were domiciled in central European countries, the majority of those in Switzerland itself (34.4%) or in Liechtenstein (7.7%). Rarely did customers with a domicile in countries often mentioned in connection with money laundering such as the British Virgin Islands (4.5%), the Cayman Islands (2.6%) or Panama (1.3%) directly contact Swiss financial intermediaries.

Caption

A	Austria
AUS	Australia
B	Belgium
BR	Brazil
BS	Bahamas
BVI	British Virgin Islands
CAY	Cayman Islands
CDN	Canada
CH	Switzerland
CI	Ivory Coast
CO	Columbia
D	Germany
E	Spain
F	France
FL	Liechtenstein
GB	Great Britain
H	Hungary
I	Italy
IOM	Isle of Man
IRL	Ireland
L	Luxembourg
NL	Holland
Others	Rest of the world without geographic focus
PA	Panama
R	Russia
TR	Turkey
UNK	Reports in which the domicile of the customer is not known
USA	USA
WAN	Nigeria



2.3.9 Nationality of customers

What the chart represents

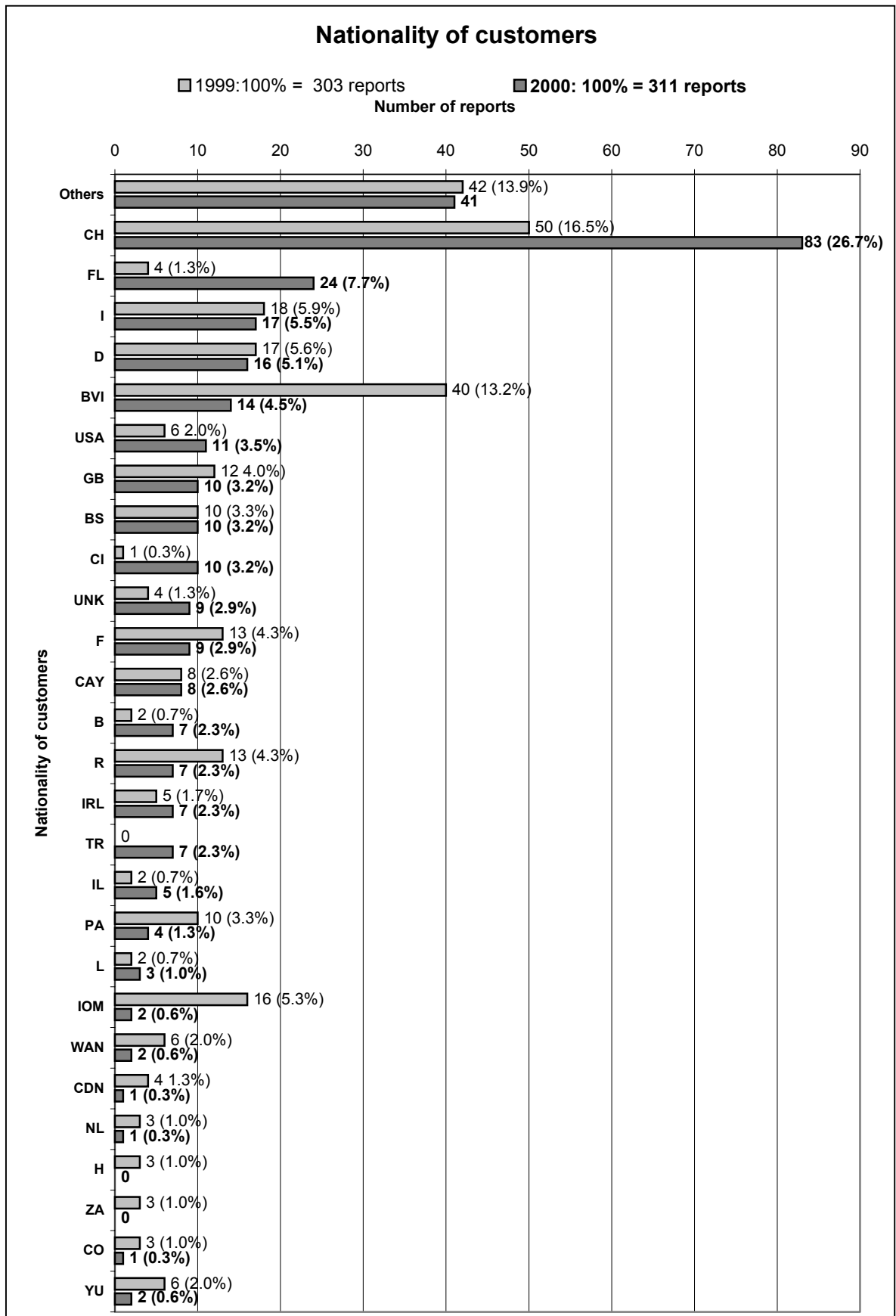
This chart shows the nationality of physical persons who were customers of the financial intermediaries. Domicile and nationality are identical in cases of corporate bodies.

What the chart indicates

The greatest numbers of customers in 2000 were from Switzerland (26.7%), followed by Liechtenstein (7.7%). In comparison with the previous year ("Abacha", "Bank of New York"), the figures are considerably lower for the British Virgin Islands and the Isle of Man.

Caption

B	Belgium
BS	Bahamas
BVI	British Virgin Islands
CAY	Cayman Islands
CDN	Canada
CH	Switzerland
CI	Ivory Coast
CO	Columbia
D	Germany
F	France
FL	Liechtenstein
GB	Great Britain
H	Hungary
I	Italy
IL	Israel
IOM	Isle of Man
IRL	Ireland
L	Luxembourg
NL	Holland
Others	Rest of the world without geographic focus
PA	Panama
R	Russia
TR	Turkey
UNK	Reports in which the nationality of the customer is not known
USA	USA
WAN	Nigeria
YU	Yugoslavia
ZA	South Africa



2.3.10 Domicile of beneficial owners

What the chart represents

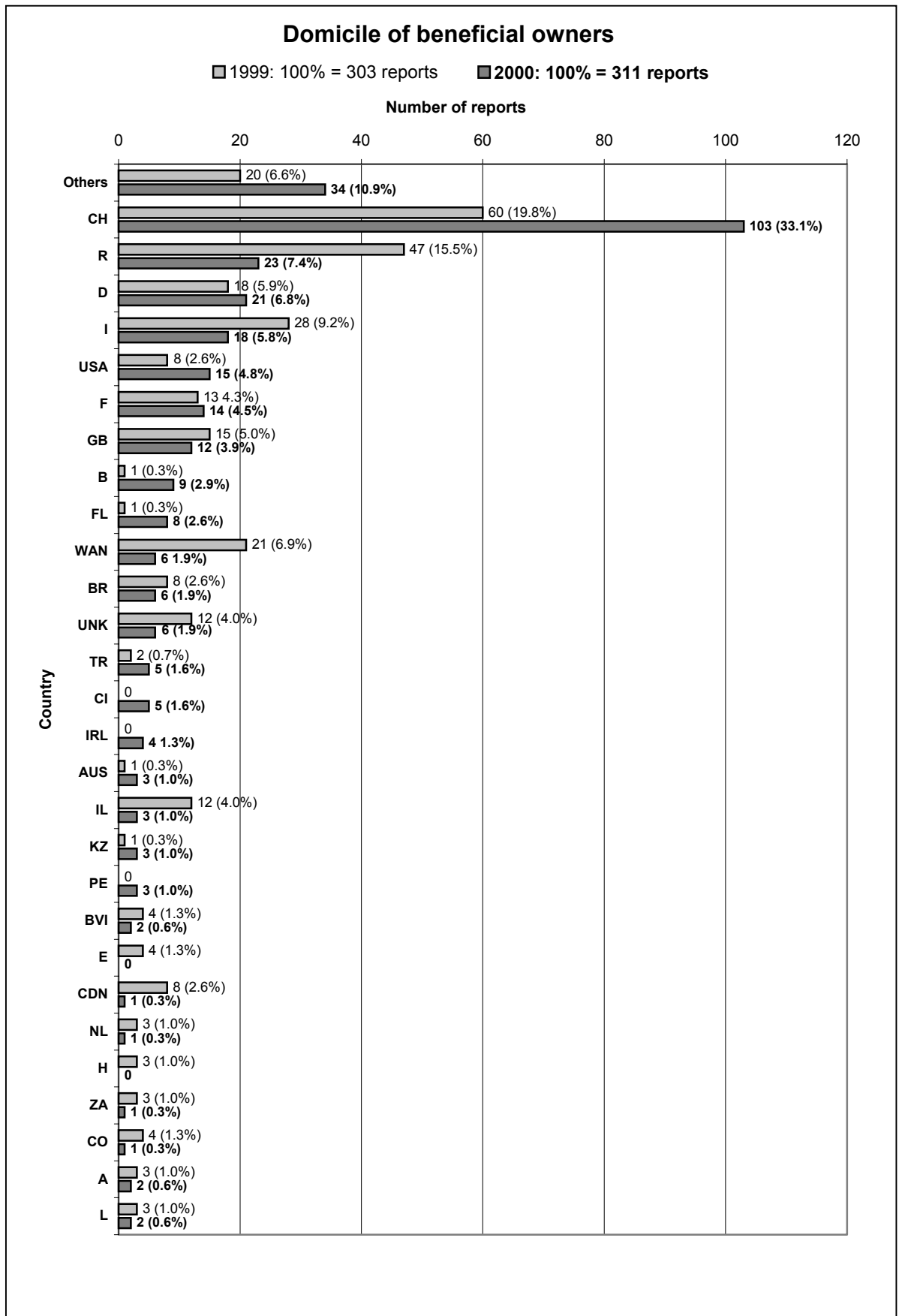
Diese Grafik zeigt, wo jene Person wohnt oder domiziliert ist, welche als wirtschaftlich Berechtigte an den Vermögenswerten bezeichnet wurde.

What the chart indicates

Im Berichtsjahr 2000 ist eine markante Steigerung der Fälle zu verzeichnen, in welche wirtschaftlich Berechtigte mit Domizil in der Schweiz (1999: 19.8%, 2000: 33.1%) oder in Liechtenstein (1999: 0.3%, 2000: 2.6%) involviert waren. Abgenommen haben die Fälle mit russischer Beteiligung.

Caption

A	Austria
AUS	Australia
B	Belgium
BR	Brazil
BVI	British Virgin Islands
CDN	Canada
CH	Switzerland
CI	Ivory Coast
CO	Columbia
D	Germany
E	Spain
F	France
FL	Liechtenstein
GB	Great Britain
H	Hungary
I	Italy
IL	Israel
IRL	Ireland
KZ	Kazakhstan
L	Luxembourg
NL	Holland
Others	Rest of the world without geographic focus
PE	Peru
R	Russia
TR	Turkey
UNK	Reports in which the domicile of the beneficial owner is not known
USA	USA
WAN	Nigeria
ZA	South Africa



2.3.11 Nationality of beneficial owner

What the chart represents

This chart shows the nationality of the individuals designated as the beneficial owner of assets giving rise to suspicious transaction reports. The nationality of corporate bodies is the same as their domicile.

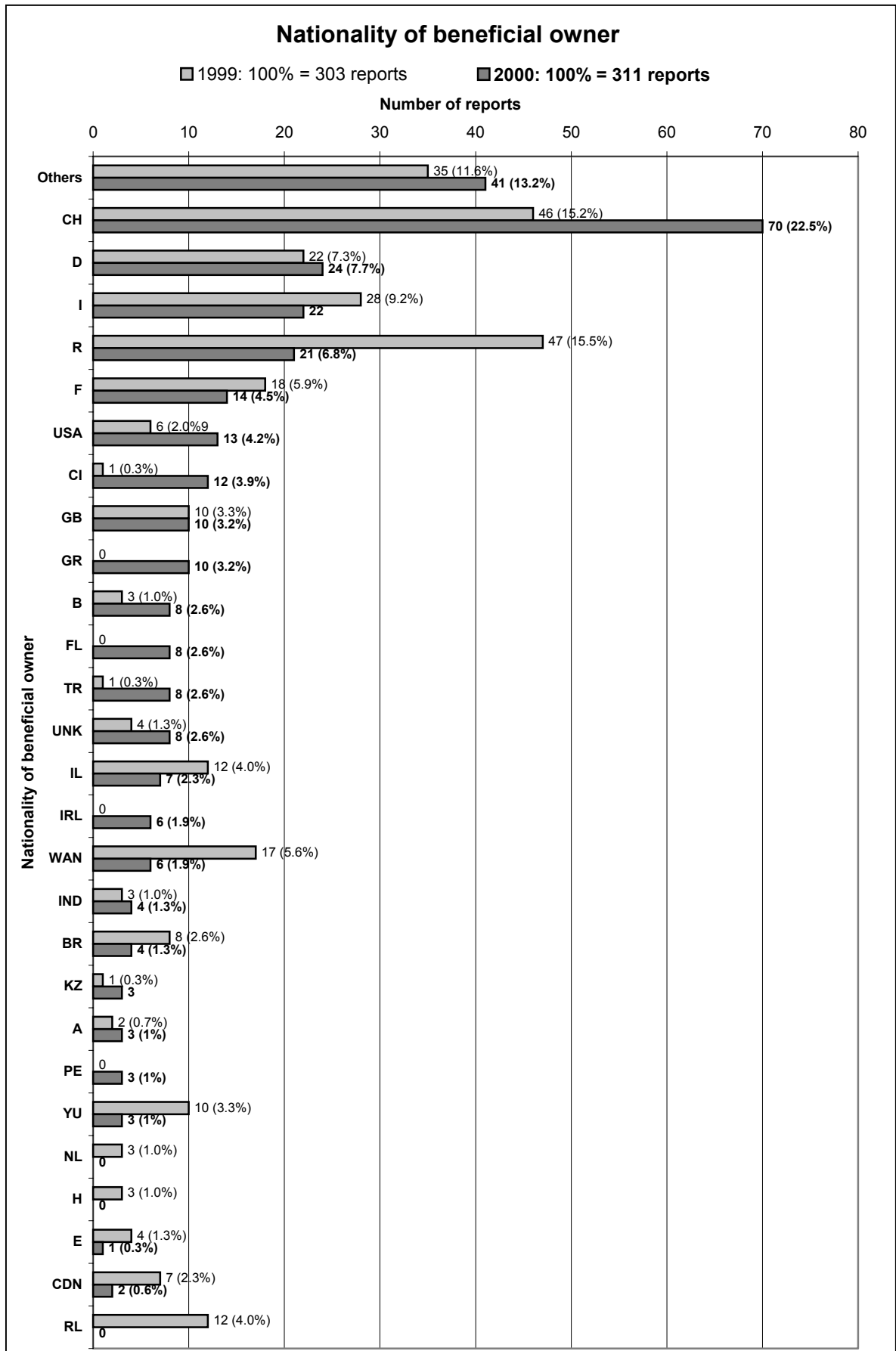
What the chart indicates

In many cases, the real beneficial owner can already be identified by the financial intermediary. Quite often, however, only the prosecution authorities can uncover the true owner of the assets involved. This is especially true in cases involving corporate bodies. The indication on the chart that in 2000 22.5% of the reported cases the beneficial owner came from Switzerland in 2000 has therefore to be qualified in light of the above statement.

In der Grafik der wirtschaftlich Berechtigten fehlen die Offshore-Zentren ganz. Offshore centres are missing from this chart altogether, since for money launderers these countries serve only as financial centres.

Caption

A	Austria
B	Belgium
BR	Brazil
CDN	Canada
CH	Switzerland
CI	Ivory Coast
D	Germany
E	Spain
F	France
FL	Liechtenstein
GB	Great Britain
GR	Greece
H	Hungary
I	Italy
IL	Israel
IND	India
IRL	Ireland
KZ	Kazakhstan
NL	Holland
Others	Rest of the world without geographic focus
PE	Peru
R	Russia
RL	Lebanon
TR	Turkey
UNK	Reports in which the nationality of the beneficial owner is not known
USA	USA
WAN	Nigeria
YU	Yugoslavia



2.3.12 Prosecution authorities involved

What the chart represents

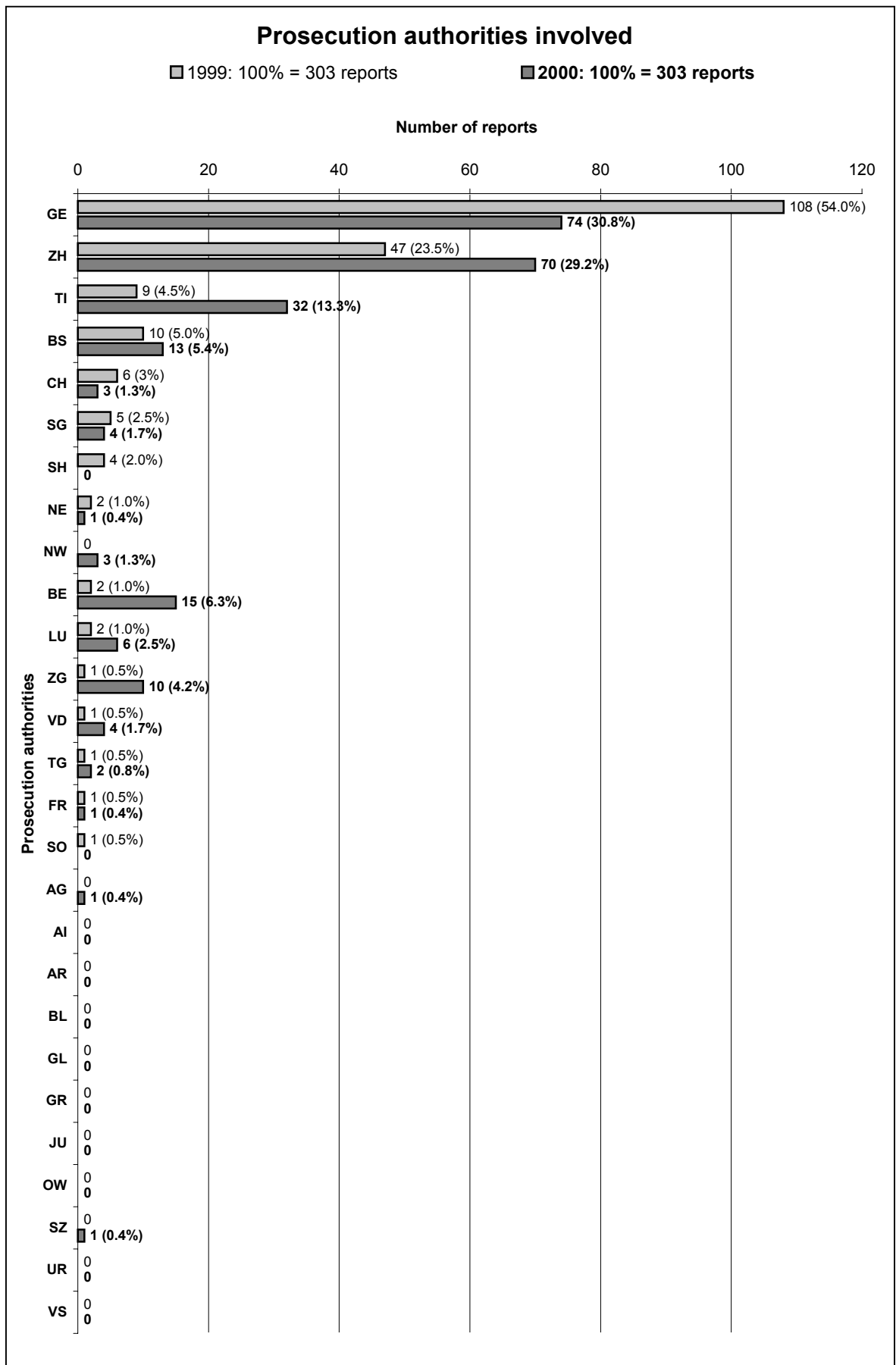
This chart shows the prosecution authorities to which cases were referred by the MROS. The cantonal jurisdiction is determined by the main location of the money laundering transaction (e.g. the location of the bank account).

What the chart indicates

As in the previous year, the largest numbers of reports were forwarded to the prosecution authorities in the cantons of Geneva, Zurich, Ticino and Basel-Stadt (2000: 78.7%; 1999: 87%). The greatest rates of increase were experienced by the cantons of Zug and Berne. This chart is for the most part consistent with the one of the home cantons of reporting financial intermediaries (2.3.3).

Caption

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



2.3.13 Number of requests from other Financial Intelligence Units (FIU)

What the chart represents

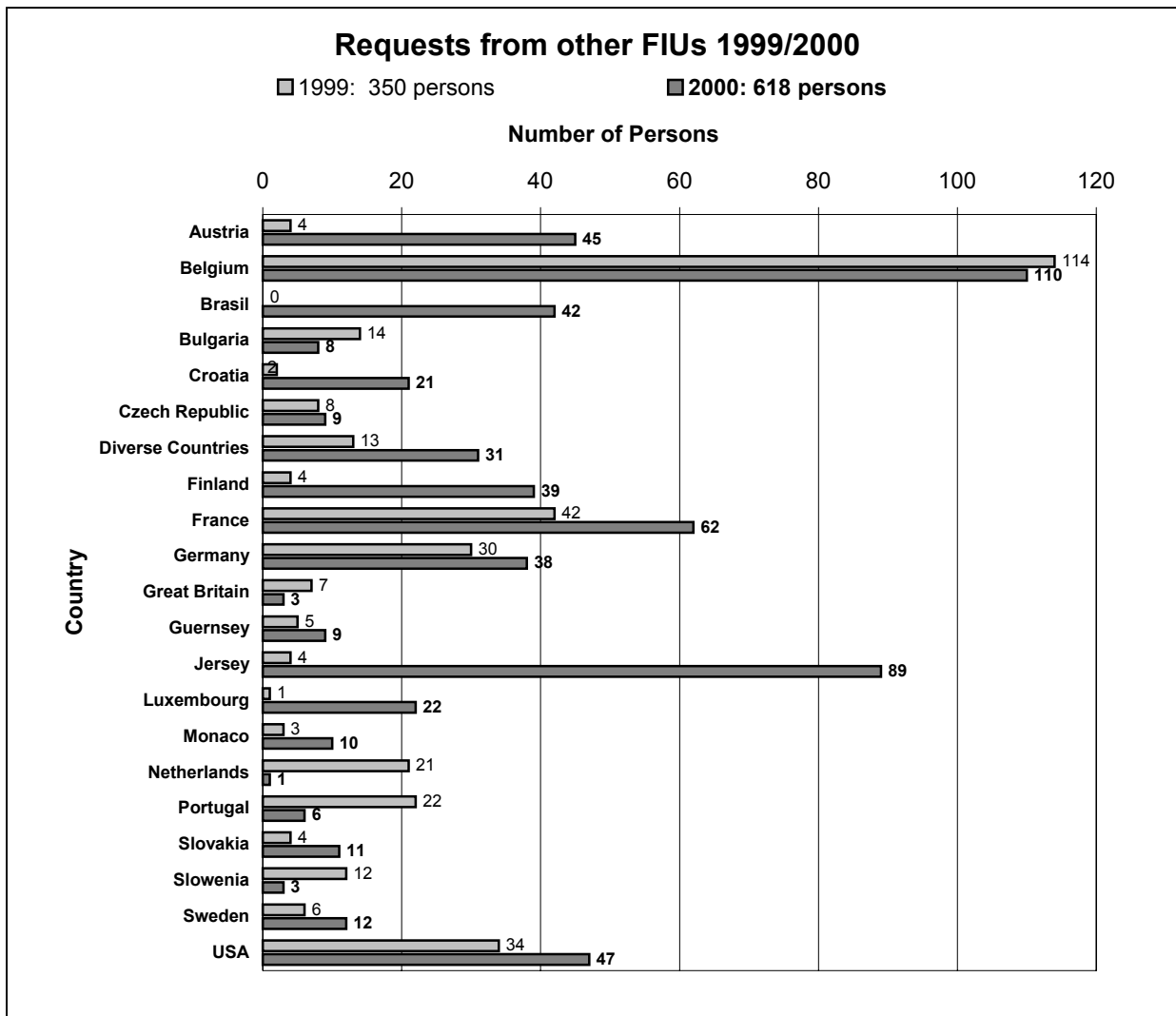
This chart shows from which other countries FIUs have requested information from MROS as well as the number of persons about whom information was requested.

What the chart indicates

FIUs are reporting offices for money laundering in other countries with authority comparable to MROS, with whom a formal information exchange is maintained in the fight against money laundering (Art. 32 Money Laundering Act, Art. 10 of the Money Laundering Regulation).

When MROS receives a request from abroad, the names are checked against the data banks and entered in MROS' own data bank GEWA. In this way, it is ensured that persons who have been noted abroad in the context of money laundering will be taken into account if suspicious transaction reports are submitted in Switzerland.

Most of the requests for information were made by the Belgian FIU, with whom MROS has close operational ties through a Memorandum of Understanding.



3. Typologies

Since there are few precedents regarding Article 9 of the Money Laundering Act, the following selection of actual cases of money laundering is documented here especially for the attention of financial intermediaries. The examples chosen depict various types of financial intermediaries from different geographical regions, various amounts of assets and different modus operandi used. It is hoped that these examples will serve as an aid for financial intermediaries in better understanding the term "reasonable suspicion".

3.1. Surgeon, high ranking member of military staff, electrician?

In February 2000, an account manager of a large bank met with a new customer from abroad, a surgeon accompanied by the widow of a highly respected colleague of the prospective customer. The widow was already a customer of the bank. The usual requisite formalities ensued in opening an investment funds and deposit account. The customer declared himself the beneficial owner of the funds. A few days later a million Swiss Francs in cash was deposited to the clearing account. The customer stated that this money had come from his native country and was meant for investment in a new research laboratory in Switzerland. Ostensibly, he wanted to transfer his residence and his entire fortune of around 30 million Francs to Switzerland. In March 2000, this customer deposited another two million Francs in cash on his account.

In the summer of the same year, the account manager encountered his customer at an airport preparing to board a private plane. On one of his next visits to the bank, the customer let on that he was a high-ranking member of the military in his native country. It was for this reason that a private plane was at his disposal. On the same occasion, he mentioned that he would be transferring 30 million Francs, which came from the sale of a pharmaceutical patent.

In light of the large amount of the transaction, the account manager had the internal inspectors check out the identity of the client. In September 2000, the investigation revealed the customer was actually an electrician whose company did not meet its financial obligations and who often changed his residence.

After the account manager had contacted the customer's legal advisor to demand information concerning the customer's true identity and origin of the money, the customer appeared at the bank with the intention of withdrawing the entire sum. Based on the false information provided by the customer and the lack of a reasonable explanation of the origin of the money, the account manager blocked the account and notified MROS, which forwarded the matter to the competent criminal authorities. They in turn confirmed the decision to freeze the account and initiated an investigation based on suspicion of money laundering. The criminal investigation is still under way.

3.2. *A gift for the wife*

A member of the managing board and co-director of an air freight company held an account at a private bank for about five years. Through this account, he carried out transactions with fiduciaries to the amount of 300 000 Francs. During the course of the year 2000, the bank advisor learned from the press that the air freight company, which belonged to the customer and his brother, might be involved in diamond smuggling. A short time later, the holder of the account attempted to close it and transfer the balance to a new account, which he wanted to open in his wife's name, purportedly as a gift to her.

In view of the ongoing criminal investigation of the co-owners and managing directors of the company, the bank began to entertain doubts about the legal origin of the money and refused any further transactions. The assets were frozen and MROS was notified of the suspicion. The prosecution authorities meanwhile have begun an investigation and have seized the account.

3.3. *Clarification with the help of the Internet*

In 1977, a private bank set up three accounts in the names of several companies. The beneficial owner was a businessman and personal advisor to a former president of an African country. The total of these three accounts amounted to 1.1 million Francs. In keeping with the bank's internal policy for maintaining accounts owned by politicians, the bank conducted in-depth inquiries with the help of the Internet. A number of clues, mostly from press articles, led to doubts about the respectability of the client. He was apparently involved with others in the illegal import of sugar. His accomplices were high ranking corrupted civil servants and politicians. The name of this client was also mentioned in connection with a financial crisis at the central bank of his native country from which he had reportedly taken out a loan worth the equivalent of about two million Francs with no intention of ever repaying it.

The Swiss bank promptly froze all three accounts and notified MROS. The case is currently being investigated by the prosecution authorities. The accounts remain frozen.

3.4. *340 000 Francs in a backpack*

At the beginning of January 2000, a man presented two deposit slips filled in by hand at a Post Office counter; one for the amount of 300 000 and the other for 40 000 Francs. The beneficiaries were numbered accounts at two private banks. When the postal clerk asked the man to fill out form A for identification purposes, the man hastily stuffed the money he had already laid out back into his backpack and left. The information the Post Office could provide (customer, beneficiary, recipient) was not sufficient to establish an illegal act. The case ended with a report for suspicion of money laundering.

3.5. *How to avoid distraint of your salary*

A customer of a large bank who was also an independent financial advisor in the name of another bank, opened an account in his own name in 1996. During 1999,

several deposits for 144 000 Francs were made. The transfers were booked as fees for professional services. Each time, the customer withdrew the money. In the same year the debt collection and bankruptcy office sent a notice regarding garnishment of salary to the address of the account holder. There were a total of 38 certificates of unsatisfied claims in his name with a total amount of 150 000 Francs.

The bank learned of the distraint process and asked its client about it. He claimed that the debt collection and bankruptcy office knew about his private bank accounts and that therefore it was obvious that he did not intend to cheat his creditors. The bankruptcy office contradicted this. The client had in fact tried to evade garnishment of his wages. The bank suspected a violation of the federal law on debt collection and bankruptcy. It filed a report with MROS and froze the account with a balance of 30 000 Francs. The investigation by the responsible cantonal prosecution authorities is still pending.

3.6. *Unscrupulous profiteers and their credulous victims: An endless story*

Between 1966 and 1996, three individuals founded three investment firms. Based on investments in options and futures trading, they offered returns in the order of 30 to 50 percent. In the end, there were about 6.4 million Francs in accounts set up by the three companies with major banks, all of it money from faithful investors. The amount of 3.7 million Francs was subsequently paid out. The difference - 2.7 million Francs - was put to use by the beneficial owners mostly for their own needs. Transfer orders as well as numerous cash withdrawals were carried out via this account. This went on for about 14 months, until the bank started to take notice of the sizeable account movements and cash withdrawals and confronted the beneficial owners for clarification about the reasons for those transactions. The account holders were unable to provide a plausible explanation upon which the bank froze the assets valued at 2 million Francs and notified MROS, suspecting that the money might have come from criminal acts.

It turned out that the beneficial owners had previously been involved in similar dealings, that they were already listed in the MROS data bank as well as subjects of numerous police and judicial records. The case was turned over to the responsible authorities who started an investigation on account of fraud and seized the bank assets.

3.7. *In the casino with a company credit card*

A managing member of a labour union applied for a company credit card in his employer's name. His application was approved and the bank issuing the credit card sent each of the bills to the labour union. Instead of making the payments in the usual fashion of automatic debit transfers, the manager paid each time in cash.

The manager used the credit card more than 200 times over 16 months for charges at a gaming casino outside the country. The individual postings were amounts ranging from 500 to 1 000 Francs. He always paid the bills in cash in a timely manner. After a year and a half, the bank objected to the exceptional type of transaction exclusively for payments to the casino and the uncommon method of payment. Shortly thereafter, the manager was arrested for misappropriation of

funds. The losses to which the manager admitted amounted to 300 000 Francs. The report by the bank was transmitted to the competent prosecution authorities.

3.8. *An effective surveillance of account movements*

In April 1999, a salesman opened a payment account. The man earned a monthly income of 3,100 Swiss Francs. Until the beginning of 2000, the account movements reflected the client's financial status. Suddenly, repeated deposits were made totalling 180 000 Francs. At the same time, the account holder began to withdraw the money in daily increments primarily with a debit card.

An effective surveillance of the back-to-back account movements compared with the regular income of the client prompted the financial intermediary to block the account and alert MROS. A query in the data banks indicated that the man had been sentenced for illegal trafficking and consumption of drugs in 1992. The report from the financial intermediary provided reasonable suspicion of the illicit origin of the funds, and the case was turned over to the relevant prosecution authorities.

3.9. *The ever-changing life insurance policy*

A foreign company took out a life insurance policy with a Swiss insurance company worth 11,900 German Marks. The policy was for a term of five years ending 1 June 2000. The beneficiary and the beneficial owner were one and the same physical person. Three months after signing the policy, due to a revision of the terms of the insurance, the beneficiary and the beneficial owner were no longer the same person. Three years later, the name of the company was changed and the insurance policy was transferred to another beneficiary. These changes also led to various changes of the beneficial owner. A few months before the expiration of the policy, the beneficial owner changed once again. Because of the dubious nature of the numerous changes in the policy and the change of beneficial owners just before the due date, the insurance company blocked the payment of the 11,900 German Marks and filed a report with MROS.

In the course of the investigations, a connection between this case and a former member of government of an African country who had been accused of money laundering could be established. The case was forwarded to the investigating authorities responsible for the ongoing investigation into the African person. The assets were seized by court order.

3.10. *A loan financed by drug trafficking*

A lawyer represented a computer maintenance company suing a major client for breach of their service agreement. The claim for compensation amounted to about 480 000 Francs. The protracted legal process created liquidity problems for the company. The client introduced an old acquaintance to his lawyer, a diamond trader from Amsterdam who was interested in the activities of the maintenance firm and was willing to help out with a loan.

The lawyer set up a company through which the diamond trader appeared as a lender. In spite of the new injection of funds, the company had to file for bankruptcy. The lawyer who was now counsellor in the bankruptcy case won the trial

against the major client and was therefore able to repay the loan to the company and thus the diamond trader.

In the meantime, the diamond trader had been sentenced to prison for drug trafficking in Holland. Having been notified of this by his client, the lawyer suspected that the loan by the diamond trader to the amount of 340 000 Francs could have stemmed from criminal sources. The lawyer blocked the funds, which he had won in the case and submitted a report to MROS. The conviction was verified in MROS' data bank and confirmed by the Dutch authorities. The case was handed over to the competent judicial authorities.

3.11. A railroad line in Africa

A commercial bank maintained a business relationship with an engineering firm since 1971. The proprietor of this company, an Italian citizen, lived in Rome. The business accounts were opened in the names of various companies controlled by the engineer. The engineering firm did business primarily in Africa and was among other things active in railroad construction. Early in 2000, the engineer notified his bank of an impending transfer to his account for 96.475 million German Marks. The money was to come from the government of an African country.

Upon the bank's request the engineer presented contracts with the African state for railroad construction. The total cost of construction came to about two billion US-Dollars. The transferred funds in German Marks were supposedly intended as partial payment of professional fees. The amount paid was less than that contracted because the authorities of the African state assumed that the engineer had to relinquish part of the fees to influential persons close to the government.

In view of the unusually high amount of money involved compared with the normal account transactions and the statements of the engineer who admitted having bribed key government officials before, the bank blocked the assets valued at 76.7 million Francs and reported the incident to MROS. Based on this information and the fact that the particular African country had already caused negative headlines in connection with money laundering, MROS passed the case on to the proper judicial authorities who confirmed the freezing of the assets.

3.12. An investment counsellor with few scruples

A financial consulting company managed securities portfolios in the name of eleven clients, all of whom had accounts at a major Swiss bank. Two of these clients were managers of the company and were entrusted with doing business in the company's name. In April 2000, this firm concluded a transaction for 130 futures contracts at the London stock exchange on behalf of their clients. The correspondent bank of the Swiss bank in London, through which the transaction was to take place, informed the head office that some of the transactions were not carried out in a consistent manner, although the market conditions were the same. A closer look back in Switzerland showed that one of the principals in the financial consulting firm was also working for a bank based in Germany. The counterparts of the foreign exchange transactions were entered in the securities portfolios of the clients of the German bank. In this way, the financial consultant and his accomplice,

both managers of the financial consulting company, netted a profit of around 200 000 Francs for their own securities portfolios at the cost of their clients. The Swiss bank precautionarily closed eleven of the accounts managed by the financial consultancy and filed a report based on suspicion of money laundering. The case was forwarded to the judicial authorities. The investigation against the two financial consultants is pending in both Switzerland and Germany.

3.13. Credits and commissions “by hook or by crook”

A commercial bank opened two accounts under pseudonym in 1977. The beneficial owner and customer was a self-employed foreigner with residence abroad. After this person had worked for an agricultural association as a lobbyist in Brussels, he specialised in acquiring EU agricultural subsidies. As a payment for his services, he received commissions on the awarded subsidies in the range of several hundred thousand Francs per year.

The advisor’s account was regularly credited with amounts of more than 100 000 Francs. During the same time, there were numerous cash withdrawals and bank cheques cashed. Occasionally, his bank would ask for information about the account movements. The account holder always gave the same answer: the money was for private purposes or for real estate transactions abroad.

During the course of 2000, the customer increasingly withdrew money. When asked for the reason for the frequent cash withdrawals, he told the bank that the company of one of his biggest clients was going bankrupt and he feared the justice authorities could trace the transactions to his anonymous account. When the amounts withdrawn became increasingly higher and the customer finally asked the entire balance to be transferred for the benefit of a third person to an account at a South East Asian bank, the bank’s suspicions of money laundering grew stronger. At the same time, the bank was presented with a confiscation order as part of an international request for judicial assistance. Subject of this request were the advisor and various accomplices. They were accused of fraudulently obtaining EU subsidies totalling about 3 million Euros. The bank froze the assets and submitted a report to MROS which forwarded the case the judicial authorities.

4. International

4.1. Memorandum of Understanding

After having concluded a Memorandum of Understanding with the Belgian Financial Intelligence Unit (FIU) CTIF-CFI in 1999, an agreement was signed with the Finnish authority NBI (National Bureau of Investigation) on 13 June 2000. Talks are taking place in an effort to optimise co-operation with other foreign authorities.

4.2. Egmont Group

The Egmont Group, an informal working group of various international FIUs, grew to 53 member states in 2000 (see also 1st and 2nd Annual Reports). In 2000, various meetings took place within the framework of the group:

- Working group meetings in Athens (February 2000), Panama City (May 2000) and Zagreb (September 2000). MROS is a participant in the working groups „Legal“ and „Outreach“.
- Plenary session in Panama City (May 2000).

4.3. Financial Action Task Force on Money Laundering (FATF)

The FATF is an institution comprising 26 countries whose goal is to develop and promote strategies in the fight against money laundering at national and international level. The secretariat is based at the OECD (Organisation for Economic Co-operation and Development) in Paris.

Switzerland has been an active member since the establishment of the FATF in 1989, taking part in the general assemblies, the typology meetings and the working groups. Switzerland is represented by the Finance Department, the Departments of Justice and Police and of Foreign Affairs. MROS is a regular participant in the meetings.

Spain chaired the group from 1 July 2000 until 30 June 2001. The chair for the thirteenth round will be assumed by Hong Kong for the period 2001 - 2002.

Working programme FATF XII (2000 - 2001)

For 2000 and 2001, the work of the FATF is dedicated to two essential tasks as well as to the permanent working programme of the previous years. As a first priority, the FATF has begun revising the so-called forty recommendations and interpretative notes. Since the last revision of the recommendations in 1996, the methods used to launder money have evolved and technological advances in payment methods have been introduced into the financial industry. The FATF acknowledges not only the topicality of the forty recommendations, but also of the total of all counter-measures. The revision of the recommendations is a major undertaking and will probably continue in 2001 - 2002.

The second essential task of 1999 - 2000 was the beginning of a process to identify states and territories which seriously lack adequate measures to combat money laundering. The goal is to implement thorough and effective anti-money laundering measures in the major financial centres. In a report made public in June 2000, fifteen states and territories lacking the necessary co-operation in the fight against money laundering were identified. This initiative is going to be continued in 2000 - 2001. The further work of the FATF will consist of following up on known weak points, to suggest measures to be taken against states and territories who continue their practices, and to investigate a new group of states and territories.

The reciprocal evaluation of the member states is another essential task of the FATF. Within the framework of an assessment process agreed with the Gulf Co-operation Council (GCC), a majority of the member states of the GCC will be evaluated (the Co-operation Council is a member of the FATF, but not the individual member states). Furthermore, the FATF is preparing to finish a summary of the measures taken by the member states during the two evaluation cycles.

The FATF will continue to pursue its goal of a global network in the fight against money laundering in the future. This goal will be reached with an appropriate expansion of the FATF, the increased support of regional, FATF-like organisations and an even tighter co-operation with international organisations which have dedicated themselves to combating money laundering, above all the international financial institutions. In the current reporting year, the FATF is also dealing with traditional issues such as self-assessment and the yearly analysis of the methods and techniques of laundering money.

5. Internet-Links

5.1. Switzerland

Money Laundering Reporting Office Switzerland

www.admin.ch/bap Bundesamt für Polizei / Meldestelle für Geldwäscherei

Supervisory 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

Others

www.admin.ch/ezv Federal Customs Administration

www.snb.ch Swiss National Bank

5.2. International

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 / Belgium

5.3. International Organisations

www.oecd.org/fatf Financial Action Task Force on Money Laundering

www.undcp.org United Nations Office for Drug Control and Crime Prevention / UNO

www.odccp.org Office for Drug Control and Crime Prevention / UNO

www.cfatf.org Caribbean Financial Action Task Force