



REPORT

2006

April 2007

**ANNUAL REPORT BY THE MONEY LAUNDERING REPORTING
OFFICE SWITZERLAND MROS**

A publication by the Federal Office of Police

TOPICS

Statistics

Typologies

From the MROS office

International scene

Internet Links

MROS

9th Annual Report

April 2007

2006

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1. Introduction

A comparison of the annual statistics of 2006 with those of 2005 reveals that the number of incoming suspicious activity reports in 2006 declined once again. In contrast to 2005 (729 reports), the number of reports submitted in 2006 fell by 15.1% (2005: -11.2%), to a total of 619 reports. At first glance this decrease appears remarkable. When one looks at the figures more closely, it becomes apparent that 2006 was a successful year in terms of incoming reports. For the decline goes hand-in-hand with an increase in the quality of the incoming reports; for the first time since the Money Laundering Reporting Office Switzerland MROS was established, it received the highest number of reports in absolute figures (2006: 359 reports) from the banking sector (see Chapter 2.3.5). Moreover, for the first time in five years the banks submitted the highest number of reports in relative terms (58%), thus relegating the payment transaction services sector with a share of 26.5% of all reports to second place. Indeed, it is the payment transaction services who, as in previous years, have considerably influenced the decline in the total number of incoming reports by submitting 52.9% fewer reports in 2006 compared to the previous reporting year. In absolute figures, MROS received 164 reports in 2006 from this sector as opposed to 348 in 2005. This considerable decline in the number of reports from payment transaction services only applies to the category of money transmitters, who in relative terms even submitted 65% fewer reports in 2006 compared to the previous reporting year (2005: 290 reports; 2006: 202 reports). In contrast, the number of incoming reports from other types of payment transaction services increased by 8.6% (2005: 58 reports; 2006: 63 reports). The decrease in the number of reports from the money transmitters is tenable when one considers that the quality of the reports has improved. It is thought that the reason for the decline is probably due to the fact that the figures do not include reports of fraud victims in connection with Nigerian scams. As mentioned in the 2005 Annual Report (see Chapter 4.1), such reports are not considered suspicious activity reports under Article 9 Money Laundering Act MLA if the money paid by victims of advance fee fraud to the perpetrators is not of criminal origin. Although advance fee fraud does entail economic loss and can be the object of a criminal offence, money transmitters are not obliged to report such payments by victims unless the money involved is of criminal origin. MROS assumes that the decline in the number of reports from the money transmitters is due to the fact that they are now making a better distinction between cases that can and cannot be forwarded to the law enforcement agencies. This assumption, together with an improvement in the quality of the reports, is mirrored by the fact that out of the number of reports passed on to the law enforcement agencies in 2006 fewer cases were dismissed or suspended in comparison to 2005 (see Chapter 2.1). Whereas 63% of all reports forwarded to the law enforcement agencies in 2005 were dismissed or suspended, this was only the case in 24% of the cases in 2006.

Despite the fact that incoming reports from the banking sector are generally complex, and 2006 even saw an increase of 58% in the number of reports from this sector, MROS was able to adhere to its internal quality regulations. Under these regulations MROS aims to evaluate an incoming report and, if necessary, forward it to the law enforcement agencies within three working days. The average time required to process an incoming report in 2006 totalled 2.4 working days. This allowed the law enforcement agencies time to decide within the official five-working-day deadline whether to open criminal proceedings. MROS is driven to attain this efficiency not by any legal obligations but in order to optimise co-operation with the law enforcement agencies.

The project "Implementation of the revised recommendations of the Financial Action Task Force against money laundering" regained momentum in 2006 after the Federal Council had postponed the project in 2005. This postponement was due to the outcome of the consultation procedure and to both parliamentary motions submitted by Philipp Stähelin¹ requesting clarification on aspects of comparative law and on cost-benefit questions. On 29 September 2006 the Federal Council decided on the next steps regarding the implementation of the revised FATF recommendations to combat money laundering and terrorist financing, and on extending the scope of the Money Laundering Act to cover terrorist financing. This provides for a clear legal basis as opposed to the defacto situation at present (see the 2005 Annual Report). Although the number of reports concerning terrorist financing fell by 60% in 2006 compared to the previous year (2005: 20 reports; 2006: 8 reports), its share remained stable compared to the overall number of reports. Thus 1.3% of all incoming reports concerned terrorist financing and involved 2.08% of the total number of assets involved in 2006. This last figure, however, must be qualified in that of the eight reports concerning terrorist financing, one report alone involved assets of approximately CHF 16.8 million, the remaining seven reports therefore involving around CHF 130,360, or approximately CHF 18,600 for each report. These figures are not surprising considering that terrorist activities, as is suspected, are also financed with smaller sums of money. Out of the total number of 154 reports submitted since 2001 in connection with suspected terrorist financing, 149 or 97% have been forwarded to the law enforcement agencies. Of these 149, 44 cases have been dropped or not taken up (29.6%), 5 cases have been temporarily suspended (3.3%), and 100 cases are still pending. Based on the fact that around 67% of the cases are pending, it is difficult to draw any conclusions on terrorist financing in Switzerland based on the MROS figures.

¹ Postulate Stähelin 05.3456 "Costs, benefits and success of the FATF recommendations. Evaluation": http://search.parlament.ch/cv-geschaefte?gesch_id=20053456

Postulate Stähelin 05.3175 "Implementation of the FATF recommendations in other countries.

Evaluation": http://search.parlament.ch/cv-geschaefte?gesch_id=20053175

http://search.parlament.ch/cv-geschaefte?gesch_id=20053456

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Bern, April 2007

2. Annual MROS statistics

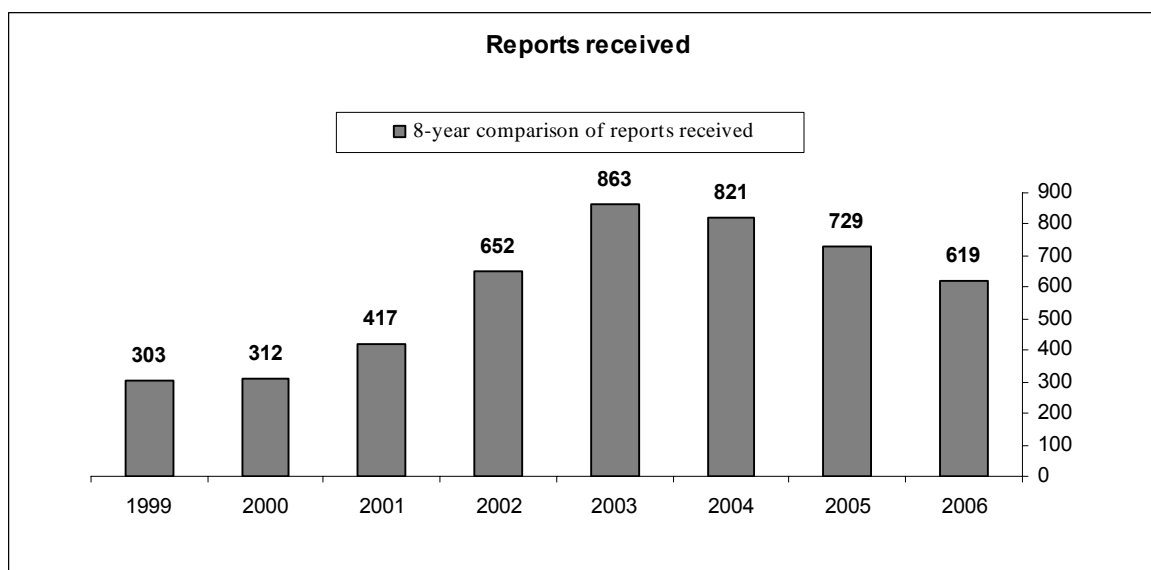
2.1. General remarks

Four key points stand out in the 2006 reporting year:

1. The number of reports from the **banking sector** reached its **highest level** since the coming-into-force of the Money Laundering Act.
2. There was a significant **decrease of 53%** in the number of reports from the payment transaction services sector.
3. The **quality of reports** from the financial intermediaries has increased considerably.
4. The total **assets** involved **increased by one-fifth (20%)** compared to the previous year.

Number of reports

Once again, there was a decline in the number of incoming reports compared to the previous reporting year from 729 (2005) to 619 (2006); this is a decrease of around 15% (-110 reports). What is especially striking is that the number of incoming reports from the banking sector increased by nearly 23% (+66 reports), whilst the number of reports from the payment transaction services sector decreased significantly from 348 reports in 2005 to 164 reports in 2006; a decrease of 53%. However, the decline in the number of reports from the payment transaction services sector must be qualified by the significant improvement in the quality of the reports submitted from this sector.



Reports from the banks

The increase in the number of reports from the banking sector (nearly 23% or 66 more reports compared to the previous reporting year) applies to practically all categories of banks with the exception of the *foreign controlled banks*, which show a decrease of 40% (-63 reports) in the number of reports submitted (see Chapter 2.3.5 for detailed information). This increase can be linked to the phenomenon of globalisation which has led to a much greater mobility of capital. This increase can also be explained by the preventive measures implemented and the detection of risks by the compliance services of the banks. What is most striking is the increase in the number of reports from the major banks. If one looks at the statistics in the table below, there was a noticeable increase in the number of reports under Article 305^{ter} paragraph 2 Swiss Criminal Code SCC (+52 reports or +144%). This would suggest that the numerous attempts and the recommendation by MROS in the 2005 Annual Report that these reports be submitted directly to the Reporting Office in order to avoid double-tracking and increase efficiency, and to counter the criticism² by the FATF experts during the last mutual evaluation of the existence of the right to report under Article 305^{ter} SCC alongside mandatory reporting under Article 9 MLA, have started to bear fruit. There was also a slight increase from 247 in 2005 to 262 in 2006 (+6%) in the number of reports submitted under Article 9 MLA (mandatory reporting). Practically unchanged compared to 2005 was the number of reports submitted under Article 24 Money Laundering Ordinance of the Federal Banking Commission MLO³ (2005: 10; 2006:9). Under this ordinance, financial intermediaries who break off negotiations before entering a business relationship because they have a well-founded suspicion that the client may be engaged in money laundering or have ties to a terrorist or criminal organisation are obliged to report immediately to MROS. Based on the information in these reports there was no suspicion of ties to terrorism, but in six cases there was a suspicion of money laundering.

Reports from the banking sector	2005	2006	Difference
Art. 9 Money Laundering Act MLA (mandatory reporting)	247	262	+ 15
Art. 24 Money Laundering Ordinance MLO together with Art. 9 Money Laundering Act MLA (attempted money laundering)	10	9	- 1

² Summary Report (in English) page 17, recommendation # 13: <http://www.fatf-gafi.org/dataoecd/60/30/35529139.pdf>

³ Money Laundering Ordinance of the Federal Banking Commission; SR 955.022

Art. 305 ^{ter} Swiss Criminal Code SCC (right to report)	36	88	+ 52
Total	293	359	+ 66

A direct consequence of the increase in the number of reports from the banking sector was the increase of nearly 20% in the total sum of assets (2005: CHF 681 million; 2006: CHF 815 million) despite a general decrease in the overall number of incoming reports.

Reports from the payment transaction services sector

If one looks at the annual statistics for 2006, it is evident that the significant fall in the number of reports from the payment transaction services once again made a decisive contribution to the overall decline in the number of reports. As opposed to the 348 reports submitted by the payment transaction services to MROS in 2005, only 164 reports (-53%) were submitted by this category in 2006. Of these 164 reports, 101 reports (2005: 298), or just under 62% (2005: just under 86%), came from the money transmitters. On comparison of these figures, it is particularly striking that the number of reports from the money transmitters declined greatly despite the fact that the overall number of reports from the category of payment transaction services slightly increased. The fact remains that the number of reports from the money transmitters fell from 256 in 2005 to 91 in 2006 (-64%). This can be partially explained by a learning process on the part of the financial intermediaries; in the past MROS often abstained from forwarding reports from money transmitters to the law enforcement agencies because the content of the reports was not sufficient to initiate proceedings. The improvement in the quality of the reports from these financial intermediaries is also illustrated by the fact in 2006 only 38% of all cases submitted by the money transmitters were dismissed or suspended by the law enforcement agencies, as opposed to 73% in 2005. A further reason is the decline in the number of cases reported involving Nigerian scams, which are not subject to mandatory reporting provided the money involved is not of criminal origin (see Chapter 4.1 in the 2005 Annual Report). Finally, it is also possible that as a result of the increasing demands of the large providers on their customers, clients may have changed to smaller providers who, due to their small business volume, are not subject to the provisions of the ordinance of the Anti-Money Laundering Control Authority dated 20 August 2002 regarding financial intermediaries in the non-banking sector⁴.

⁴ Ordinance of the Anti-Money Laundering Control Authority on Financial Intermediaries in the Non-banking Sector; SR 955.20

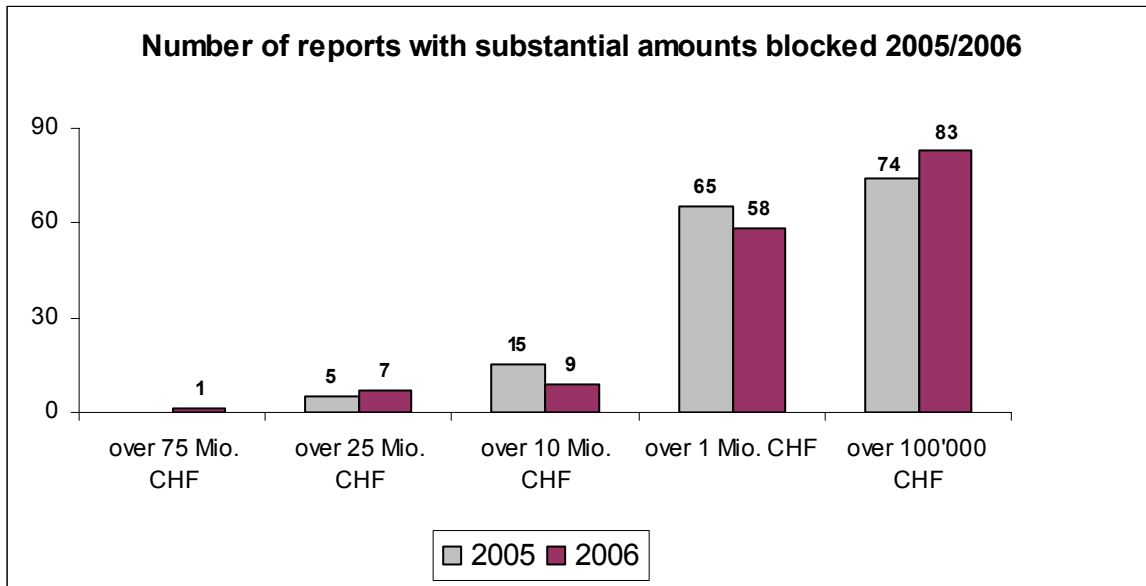
Improvement in the quality of the reports

The increase in the number of reports forwarded to the law enforcement agencies in the 2006 reporting year is a result of the general improvement in the quality of the reports submitted to MROS. In 2006, MROS forwarded a total of 507 of the 619 (82%) reports it received, as opposed to 506 of a total of 729 in 2005 (69%). If one analyses the average percentage of reports from the two largest categories of financial intermediaries forwarded by MROS to the law enforcement agencies, it is evident that this percentage has increased for both categories. Whereas in 2005 91% of all reports from the banking sector were forwarded, this figure increased to over 94% in 2006. The same applies to the reports from the payment transaction services (2005: 45%, 2006: 57%). Of the 164 reports from payment transaction services, 101 (just under 62%) came from the money transmitters. This represents nearly 42% (2005: 41%), although very little information is available on the clientele of this business sector. Further information on the quality of the reports from the money transmitter sector forwarded to the law enforcement agencies by MROS is available on the previous page.

Reports involving substantial levels of assets

The current reporting year includes a report submitted by a major bank on the suspected manipulation of market rates in the category of assets involving sums of over CHF 75 million. The number of reports involving assets of over CHF 25 million – submitted exclusively by the banking sector– also increased slightly by 2 reports to a total of 7 reports compared to the previous reporting year. A closer look at both categories reveals that these eight reports involve total assets of CHF 450 million (or 55% of the total assets of all incoming reports). Of these eight incoming reports, six were submitted to MROS on the basis of reports in the newspapers, five involved fraud and two involved money laundering. With the exception of only one report, all the others were forwarded to the law enforcement agencies. Five of these cases are pending, two were dismissed or suspended.

The number of cases involving assets of over CHF 10 million and those involving over CHF 1 million has declined. For the 2006 reporting year, the average sum of assets involved in each incoming report was just over CHF 1.3 million (2005: CHF 934,000). This increase is clearly due to the increase in the number of reports from the banking sector.



2.2. *The search for terrorist funds*

Whereas 20 reports concerning suspected terrorist financing and involving CHF 46 million were submitted to MROS in 2005, this figure fell in 2006 to 8 (-60%) with a total volume of assets of just under CHF 17 million (-63%). The fact that one single report by a foreign-controlled bank involved CHF 16.8 million alone shows that, despite a few exceptions, the amounts involved in terrorist financing are usually small. Of the eight reports submitted to MROS in 2006, six involved different individuals or companies and had different background information. The remaining two reports were submitted by the same financial intermediary and involve the same case. Terrorist financing accounted for 1.3% of the total number of reports submitted in 2006 (1 out of every 77 reports).

Of the eight reports submitted in 2006 concerning suspected terrorist financing, two cases involved people whose personal data – at the time of the reporting – was possibly identical to individuals named on the lists published by the Bush Administration. Three reports were based on the “Taliban Regulations” of Switzerland’s State Secretariat for Economic Affairs (SECO), and the remaining three cases were based on information provided by third parties. All but three reports (due to lack of information) were forwarded by MROS to the law enforcement agencies. The Office of the Attorney General of Switzerland dismissed one of the five cases. The remaining four cases, including the case involving assets of CHF 16.8 million (in which - according to an informant - another individual involved in terrorist activities is beneficial owner of the assets) are pending.

Year	Number of reports			Factor for suspicion				Amounts involved	
	Total	Terrorist Funding (TF) reports	TF in % of total no. of reports	Bush	OFAC	Taliban (seco)	other	In connection with TF	TF in % of total amounts of reports
2001	417	95	22.8 %	33	1	4	57	131,379,332.45	4.82 %
2002	652	15	2.3 %	13			2	1,613,819.00	0.24 %
2003	863	5	0.6 %	3	1	1		153,922.90	0.02 %
2004	821	11	1.3 %		4	3	4	895,488.95	0.12 %
2005	729	20	2.7 %	5	0	3	12	45,650,766.70	6.71 %
2006	619	8	1.3 %	1	1	3	3	16'931'361.63	2.08 %
TOTAL	4'101	154	3.8 %	55	7	14	78	196'624'691.63	3.11 %

The following table shows the 8 reports in connection with suspected terrorist funding for 2006 in detail.

a) Home canton of reporting financial intermediaries

	No. of reports	%
Bern	3	37.5%
Neuchatel	2	25.0%
Basel-Stadt	1	12.5%
Geneva	1	12.5%
Lucerne	1	12.5%
Total	8	100.0%

b) Type of financial intermediary

	No. of reports	%
Banks	4	50.0%
Payment transaction services	3	37.5%
Insurance	1	12.5%
Total	8	100.0%

c) Type of bank filing the report

	No. of reports	%
Cantonal bank	3	75.0%
Foreign controlled bank	1	25.0%
Total	4	100.0%

d) Nationality and domicile of client

Country	Nationality		Domicile	
Switzerland	3	37.5%	6	75.0%
Uruguay	1	12.5%	1	12.5%
Serbia	1	12.5%	0	0.0%
Nigeria	1	12.5%	0	0.0%
Iraq	1	12.5%	1	12.5%
Tunisia	1	12.5%	0	0.0%
Total	8	100.0%	8	100.0%

e) Nationality and domicile of beneficial owner

Country	Nationality		Domicile	
Switzerland	3	37.5%	6	75.0%
Iraq	1	12.5%	1	12.5%
U.S.A.	1	12.5%	1	12.5%
Nigeria	1	12.5%	0	0.0%
Tunisia	1	12.5%	0	0.0%
Serbia	1	12.5%	0	0.0%
Total	8	100.0%	8	100.0%

2.3. Detailed statistics

2.3.1 Overview of MROS statistics 2006

Business year summary (1.1.2006 - 31.12.2006)

	2006		+/-	2005	
	Absolut	Relativ		Absolut	Relativ
Number of reports					
Total received	619	100.0%	-15.1%	729	100.0%
Passed on to law enforcement agencies	507	81.9%	0.2%	506	69.4%
Not passed on	112	18.1%	-49.8%	223	30.6%
Pending	0	0.0%	0.0%	0	0.0%
Type of financial intermediary					
Payment transaction services	164	26.5%	-52.9%	348	47.7%
Bank	359	58.0%	22.5%	293	40.2%
Fiduciary	45	7.2%	45.2%	31	4.3%
Asset manager / Investment advisor	6	1.0%	-66.7%	18	2.5%
Attorney	1	0.2%	-87.5%	8	1.1%
Insurance	18	2.9%	100.0%	9	1.2%
Other	8	1.3%	166.7%	3	0.4%
Casino	8	1.3%	14.3%	7	1.0%
Currency exchange	2	0.3%	-33.3%	3	0.4%
Distributor of investment funds	0	0.0%	-100.0%	5	0.7%
Loan, leasing and factoring business	8	1.3%	700.0%	1	0.1%
Securities trader	0	0.0%	-100.0%	3	0.4%
Amounts involved in CHF					
(Total effective assets at time of report)					
Overall total	815'246'462	100.0%	19.7%	680'974'179	100.0%
Total involved in reports passed on	746'256'549	91.5%	21.6%	613'626'048	90.1%
Total involved in reports not passed on	68'989'913	8.5%	2.4%	67'348'131	9.9%
	* 1 à CHF 28 Mio. & 1 à CHF 14 Mio.				
Average report value (total)	1'317'038			934'121	
Average report value (passed on)	1'471'906			1'212'700	
Average report value (not passed on)	615'981			302'010	

2.3.2 Home canton of reporting financial intermediaries

What the chart represents

This chart shows in which cantons the reporting financial intermediaries who filed reports to MROS are based, as opposed to the chart „Law enforcement agencies involved“ (Chart 2.3.12), which indicates to which law enforcement agencies the reports were passed on.

Chart analysis

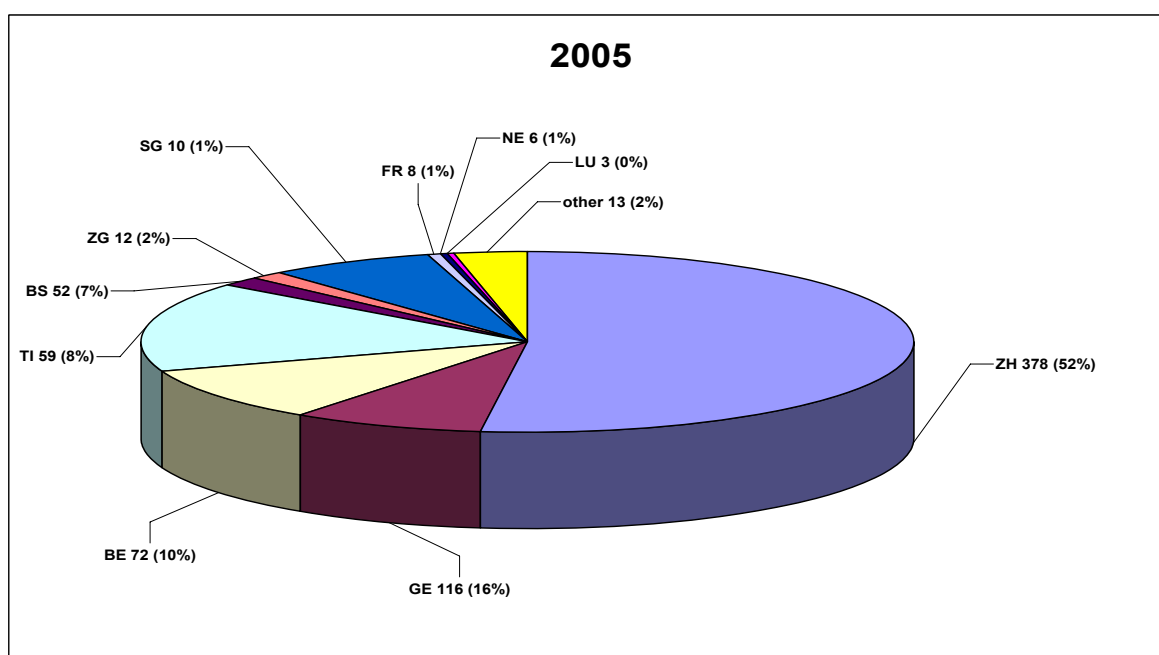
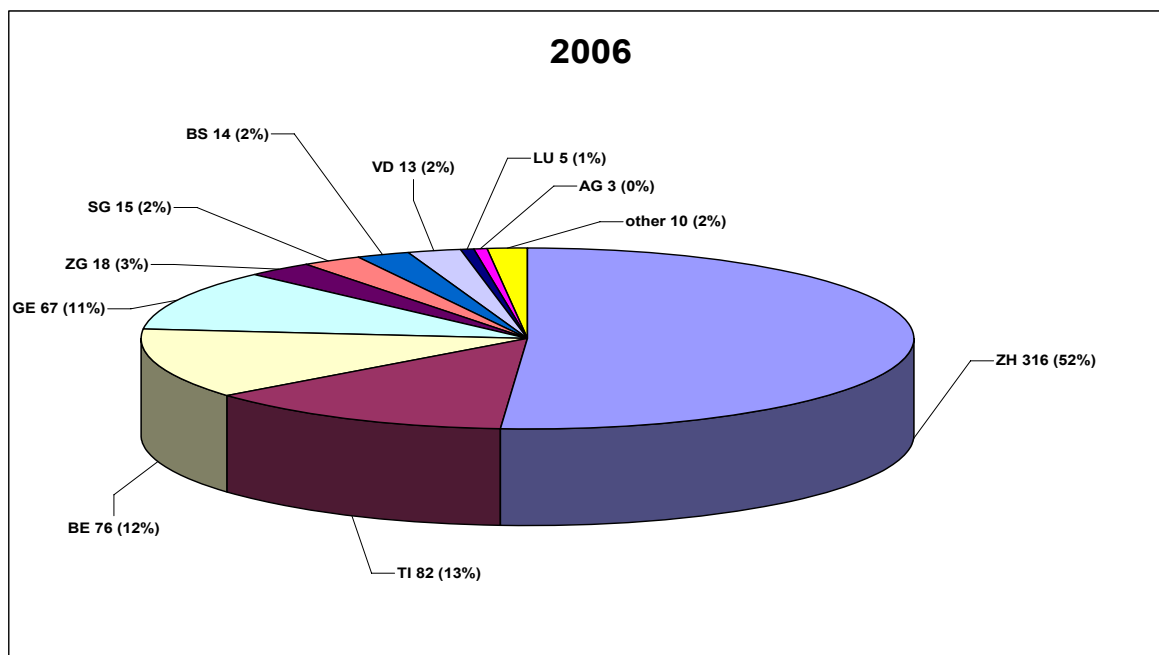
Approximately 88% of all reports from the cantons of Zurich, Tessin, Bern and Geneva

As to be expected, the majority of reports in 2006 came from those cantons with an important financial services sector. Thus 541 (just under 88%) were submitted by financial intermediaries from the cantons of Zurich, Tessin, Bern and Geneva. Although the number of reports from the financial intermediaries fell drastically in 2006, nearly 52% of all reports came once again from the canton of Zurich, which can be explained by the remarkable increase in the number of reports from the banking sector. In absolute terms, the number of reports from the canton of Zurich also decreased by 62 compared to the previous year (2005: 378 reports; 2006: 316 reports). In contrast, the number of reports from financial intermediaries from the canton of Tessin increased by 23, putting Tessin with a share of 13% of all reports in second place behind Zurich. This increase can be explained on the one hand by the attractiveness of the financial services sector in Canton Tessin for people from Italy. On the other hand, certain events in Italy that became a topic of public debate resulted in several reports with the same connection. In third place with a share of over 12% of the total number of reports, behind the cantons of Zurich and Tessin but ahead of Geneva with its well-known financial centre, was the canton of Bern. Bern's position in the statistics is due to the centralisation within companies of compliance centres.

The half cantons of Appenzell Inner Rhoden and Ausser Rhoden, the cantons of Basel Landschaft, Nidwalden, Obwalden, Glarus, Jura, Schaffhausen, Solothurn and Uri did not file any reports with MROS in 2006. The reason for this almost certainly lies in the centralisation of the compliance centres. For this reason, we refer to the figures in the following chapter "Location of suspicious business connection"(Chapter 2.3.3).

Legend

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



For comparison 2005/2006

Canton	2005	2006	+/-
ZH	378	316	-62
TI	59	82	+23
BE	72	76	+4
GE	116	67	-49
ZG	12	18	+6
SG	10	15	+5
BS	52	14	-38
VD	3	13	+10
LU	3	5	+2
AG	1	3	+2
FR	8	2	-6
NE	6	2	-4
GR	1	2	+1
TG		2	+2
SZ	3	1	-2
VS		1	+1
BL	2		-2
SO	1		-1
NW	1		-1
SH	1		-1
AI			
AR			
GL			
JU			
OW			
UR			
Total	729	619	-110

2.3.3 Location of suspicious business connection

What the chart represents

The chart shows in which cantons the financial intermediary managed accounts or had business connections that were reported to MROS in 2006. This is meant to be a complement to the previous chart 2.3.2 showing *the home canton of the reporting financial intermediary*.

Chart analysis

The place where a reporting financial intermediary has its headquarters is not a definite indication of the location of the account or business mentioned in the report filed to MROS.

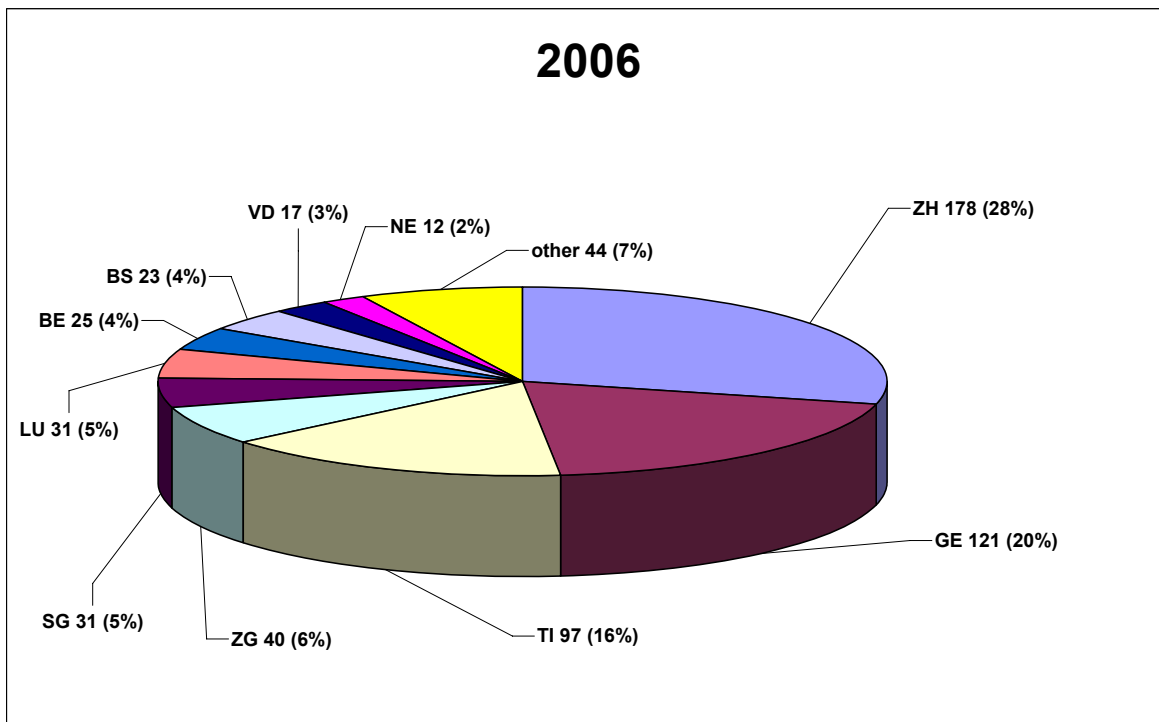
It is mainly the major banks and the payment transaction services that have established regional competence centres to submit suspicious activity reports, although these reports do not, or not only, involve the home canton of the reporting financial intermediary. This can lead to a distorted picture of the geographical distribution of money laundering cases in Switzerland. Moreover, a direct comparison with the statistics of the law enforcement agencies involved (see Chapter 2.3.12) is not possible because, for one thing, not all reports submitted to MROS are passed on and, for another, as a result of federal jurisdiction in certain cases the location of the account or business alone no longer determines which judicial authority is responsible. This fact is illustrated by the previous chart on *Home canton of reporting financial intermediaries* (Chapter 2.3.2). Whereas in 2006 nearly 52% of all reports sent to MROS came from financial intermediaries domiciled in Canton Zurich, or just over 12% from those in Canton Bern, only slightly more than 28% and 4% respectively of the reported business connections took place in these two cantons. The cantons of Tessin and Geneva reveal the opposite: approximately 24% of the reports submitted to MROS came from these two cantons although nearly 36% of the reported business connections took place there.

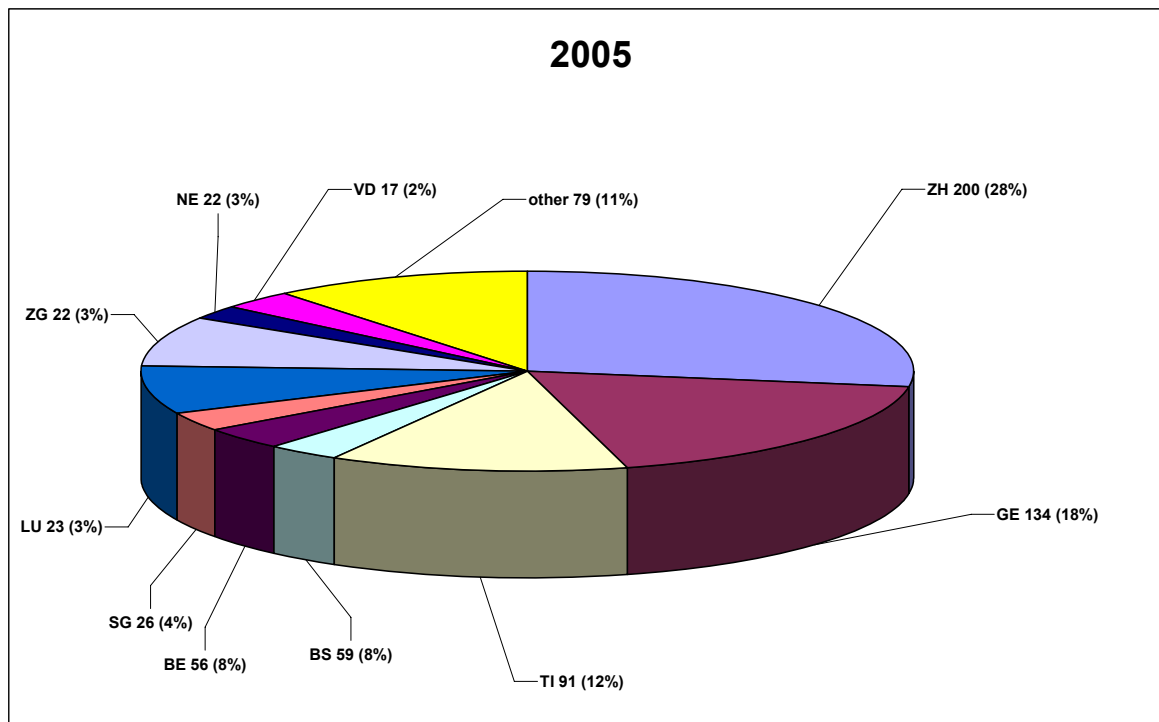
The decrease in the number of reports in 2006 (23 reports) compared to the previous year (2005: 59) involving the canton of Basel-Stadt as the location of the suspicious business connection can be attributed to the fact that in the previous year numerous reports involving the same case were submitted by two financial intermediaries.

Since the Money Laundering Act came into force, the half canton of Appenzell Inner Rhoden is the only canton that has yet to submit a report to MROS. The reason for this probably lies in the fact that, compared to other cantons, Appenzell Inner Rhoden has fewer professional financial intermediaries.

Legend

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





For comparison: 2005/2006

Canton	2005	2006	+/-
ZH	200	178	-22
GE	134	121	-13
TI	91	97	+6
ZG	22	40	+18
SG	26	31	+5
LU	23	31	+8
BE	56	25	-31
BS	59	23	-36
VD	17	17	0
NE	22	12	-10
AG	12	11	-1
VS	11	10	-1
TG	7	7	0
FR	15	5	-10
JU	4	3	-1
GR	2	3	+1
SZ	5	2	-3
GL	4	2	-2
BL	5	1	-4
SO	10		-10
SH	2		-2
AR	1		-1
NW	1		-1
AI			
OW			
UR			
Total	729	619	-110

2.3.4 Financial intermediaries according to category

What the chart represents

This chart illustrates which category of financial intermediary filed how many reports.

Chart analysis

- *Record number of reports from the banking sector since the Money Laundering Act came into force*
- *Highest percentage of reports from the banking sector for the first time in four years*

A comparison of the statistics with the previous year reveals a significant decrease in the number of reports from the payment transaction services sector on the one hand, and a considerable increase in the number of reports from the banking sector on the other hand. Despite an increase compared to the 2005 reporting year in the number of reports from the sectors "fiduciaries", "insurance", "casinos", "loan, leasing and factoring business" and "others" (as well as an increase from the banking sector), there was nevertheless a general overall decline in the number of reports in 2006 mainly due to a considerable decrease in the number of reports submitted from the payment transaction services sector.

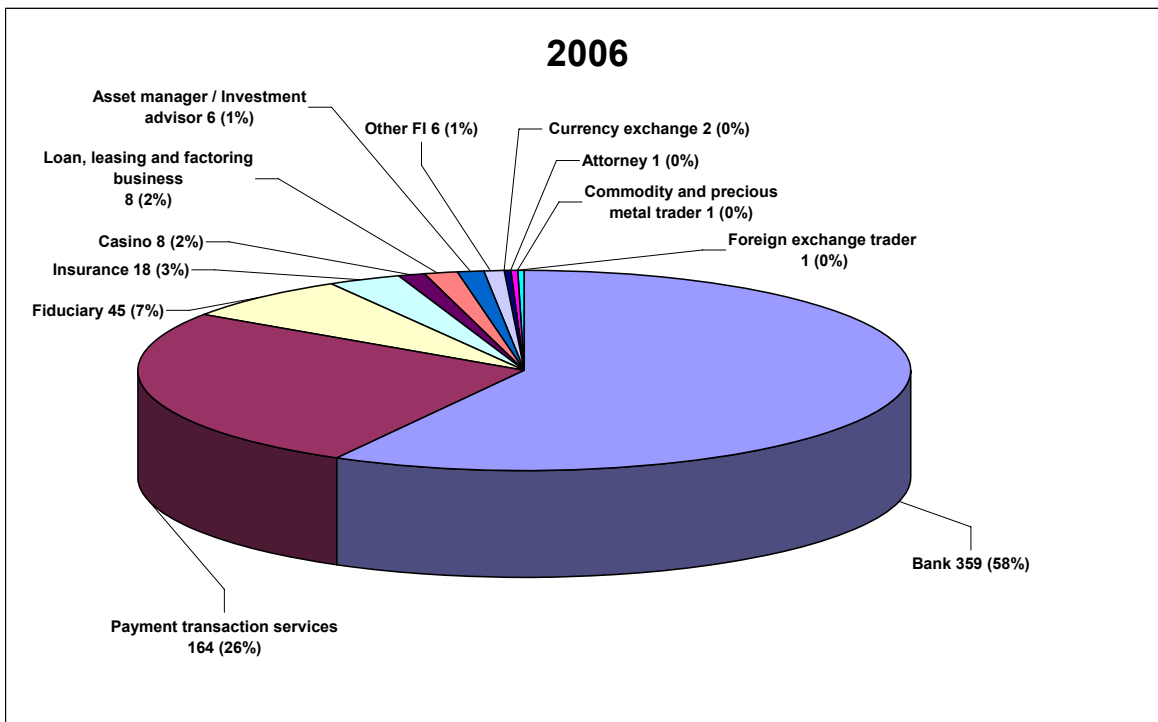
In comparison to the previous reporting years when most reports filed to MROS were from the category of payment transaction services, it was the banking sector that submitted the most reports in 2006. This sector showed an increase both in absolute and relative terms: from 293 or 41% of the total number of reports in 2005 to 359 (+66) or 58% in 2006. The increase of 66 reports between 2005 and 2006 represents a rise of approximately 23%. The greatest increase in reports from the banking sector was in the category of reports filed under Article 305^{ter} paragraph 2 SCC (right to report); from 36 reports filed in 2005 to 88 (+52) in 2006. This is due to the fact that the banks, on initiative from MROS, now file reports under this legal provision mostly directly with the Reporting Office and no longer directly with the law enforcement agencies. There was also a slight increase in the number of reports filed under Article 9 MLA (mandatory reporting); from 247 in 2005 to 262 in 2006; an increase of 15 reports. The number of reports filed under the Money Laundering Ordinance of the Federal Banking Commission, which obliges the banking sector to file a report concerning attempted money laundering, fell from 10 in 2005 to 9 in 2006.

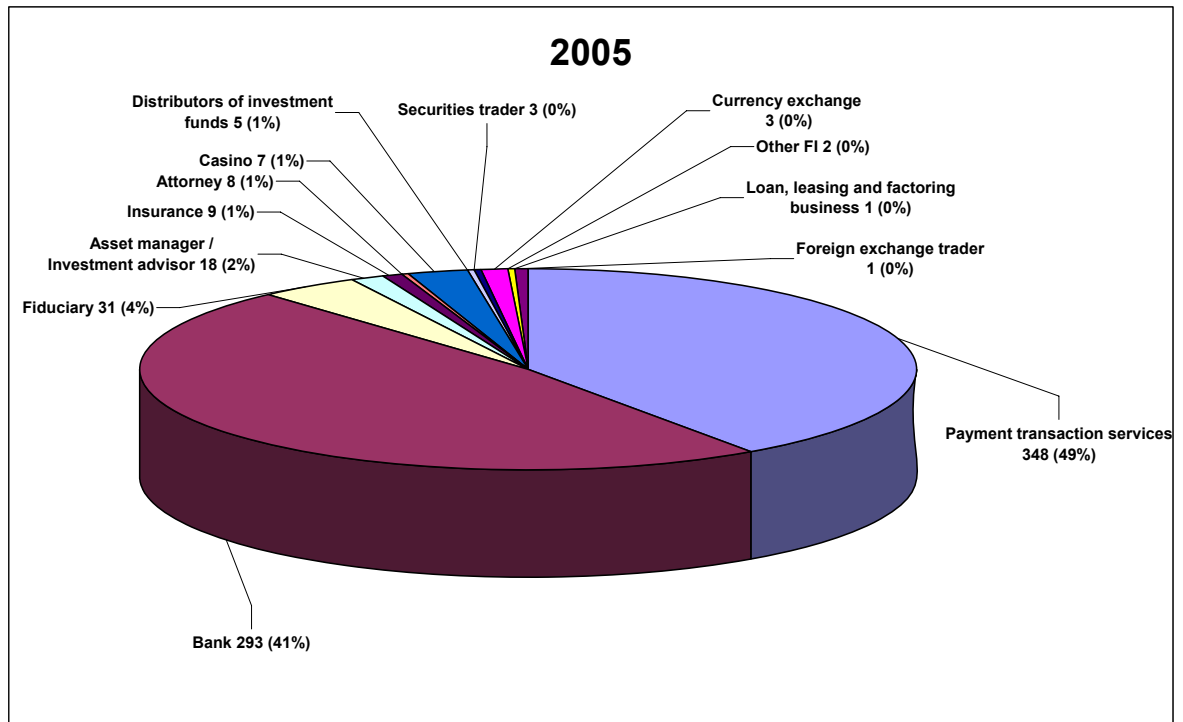
The number of reports from the payment transaction services sector fell in 2006 compared to the previous reporting year in absolute terms from 348 to 164 (-184); a decline of nearly 53%. This decrease can be explained partly by a learning process on

the part of the payment transaction services. In the past, the percentage of the reports submitted by this sector and forwarded by MROS to the law enforcement agencies was well below average. In 2006 there was a noticeable decline in the number of reports from this sector, but those that were submitted were noticeably better substantiated. This led to a relative increase in the number of reports from this sector that were forwarded to the law enforcement agencies: from 45% (2005) to 57% (2006).

With a total of 84% (88% in 2005), reports from the banking and payment transaction services sectors together make up the largest volume of reports submitted to MROS. Although the number of reports has generally declined, MROS's workload has not lessened. This is due to the large increase in the number of reports from the banking sector, which are basically complex and detailed and therefore require more time in the analysis.

Less than 16% of the total number of reports was submitted by the remaining non-banking sector (not including the category of payment transaction services mentioned above). This category filed 96 reports in 2006, 8 reports more than in the previous reporting year. The year 2006 saw a decline especially in the categories "asset managers/investment advisors" (-66%) and "attorneys" (nearly 88% less).





For comparison: 2005 / 2006

Branch	2005	2006	+/-
Bank	293	359	+66
Payment transaction services	348	164	-184
Fiduciary	31	45	+14
Insurance	9	18	+9
Casino	7	8	+1
Loan, leasing and factoring business	1	8	+7
Asset manager / Investment advisor	18	6	-12
Other FI	2	6	+4
Currency exchange	3	2	-1
Attorney	8	1	-7
Foreign exchange trader	1	1	0
Commodity and precious metal trader		1	+1
Distributor of investment funds	5		-5
Securities trader	3		-3
Total	729	619	-110

Ratio of reports forwarded to the law enforcement agencies in 2006 according to category

Category of financial intermediary	% forwarded	% not forwarded
Bank	94.4	5.6
Payment transaction services	56.7	43.3
Fiduciary	88.9	11.1
Insurance	72.2	27.8
Casino	75.0	25.0
Loan, leasing and factoring business	75.0	25.0
Other FI	83.3	16.7
Asset manager / Investment advisor	33.3	66.7
Currency exchange	50.0	50.0
Foreign exchange trader	100.0	0.0
Attorney	0.0	100.0
Commodity and precious metal trader	100.0	0.0
Total	81.9	18.1

2.3.5 Type of bank reporting

What the chart represents

This chart shows the distribution of reports from what type of bank.

Chart analysis

- *Dramatic increase in the number of reports from the banking sector*
- *Considerable increase in reports from major banks*
- *Fewer reports from foreign-controlled banks*

The year 2006 saw the highest number ever of reports from the banking sector (in absolute terms) since the Money Laundering Act came into force on 1 April 1998.

Year	Total number of reports	Reports from the banking sector	Percentage of reports from the banking sector
1998	125	104	83%
1999	303	265	87%
2000	312	230	74%
2001	417	261	63%
2002	652	271	42%
2003	863	302	35%
2004	821	340	41%
2005	729	293	40%
2006	619	359	58%

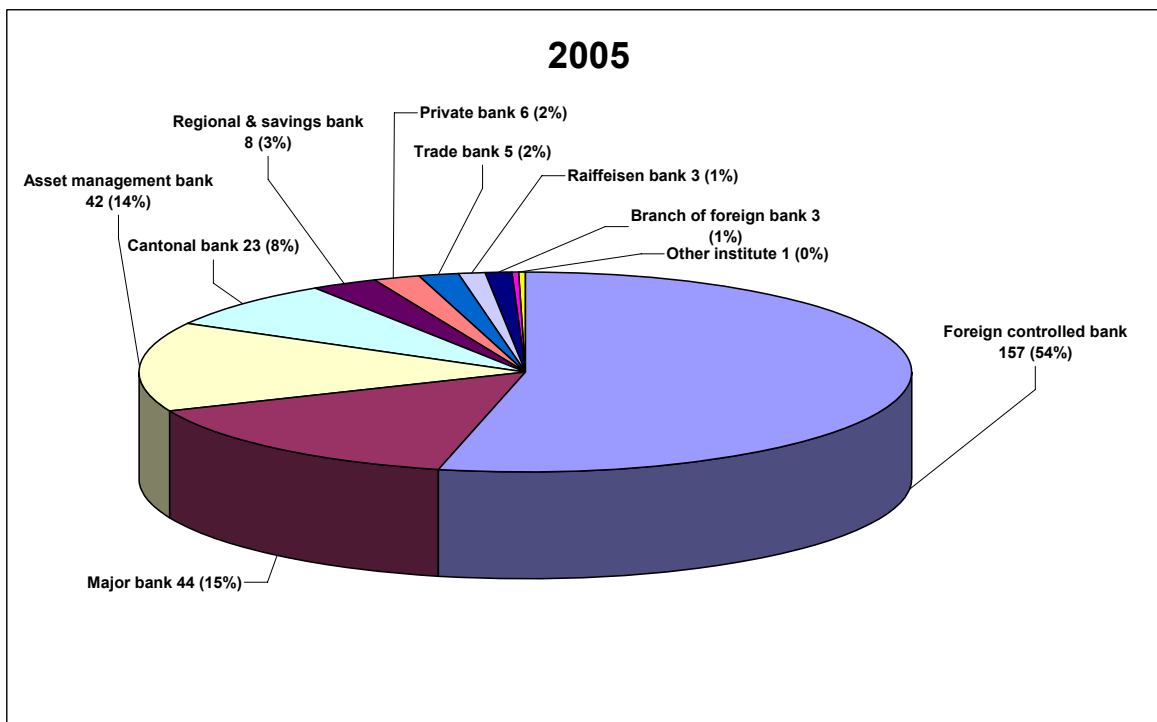
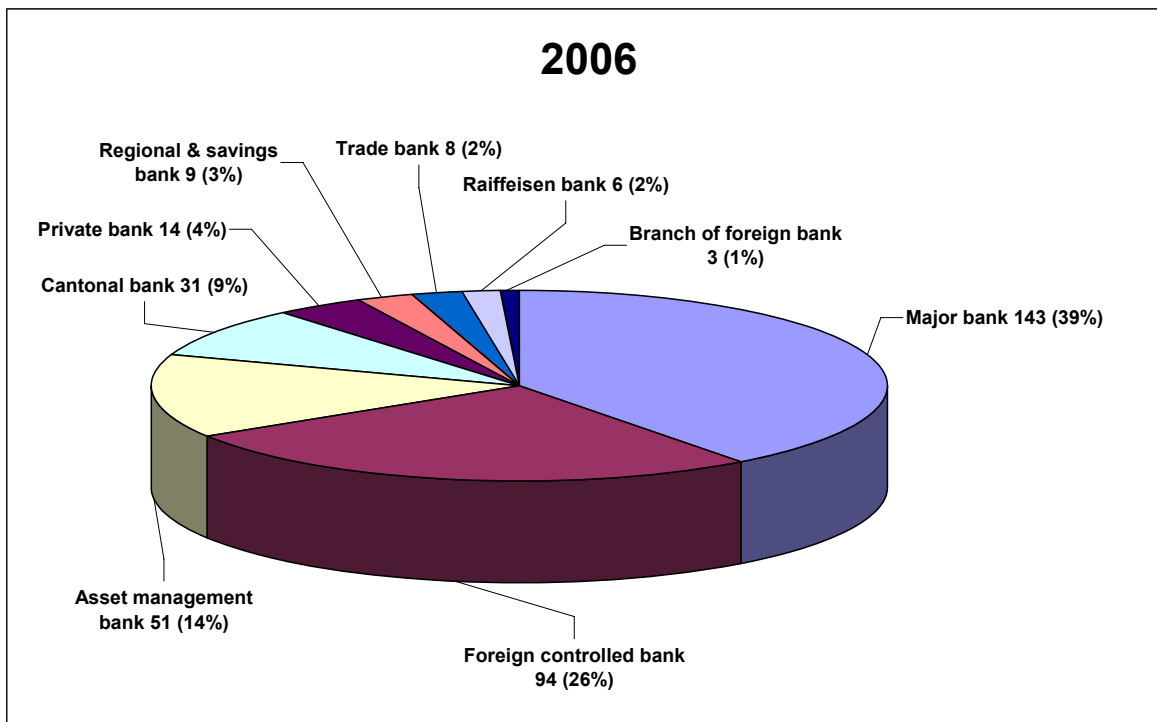
If one compares the figures of the last few years it is evident that, in contrast to the years 2002, 2003, 2004 and 2005, most reports filed to MROS in 2006 came from the banking sector, which submitted 58% of the total number of reports.

The major banks filed 99 more reports in 2006 compared to the previous reporting year (+225%), thus taking over the top of the tables from the category of *foreign-controlled banks*, which submitted a total of 143 reports. This large increase can be explained partly by the fact that – thanks to an initiative by MROS– the major banks now file reports under Article 305^{ter} paragraph 2 SCC (right to report) directly to the Reporting Office as opposed to filing them with the law enforcement agencies, as was the case in the past. Whereas the major banks only submitted one single report under Article 305^{ter} paragraph 2 SCC to MROS in 2005, this figure increased to 56 in 2006. The number of reports filed by the major banks under Article 9 MLA also increased in 2006 to 87. Overall, the category of reports filed under the right to report recorded the

largest increase out of all the reports filed by the banking sector – from 36 in 2005 to 88 in 2006 (+144%).

With 63 reports, the category of *foreign-controlled banks* submitted noticeably fewer reports in 2006 compared to the previous reporting year (2005: 94) and has thus fallen into second place in the tables. One explanation for this decline is that fewer multiple reports (several reports concerning the same case) were filed in the current reporting year. The decrease applied both to reports filed under Article 9 MLA (-49) and those filed under Article 305^{ter} paragraph 2 SCC (-10).

Besides the category of *foreign-controlled banks*, and the categories *other institutes* and *other banks*, which did not file a single report in 2006 (2005: 1 from each category), all other categories of banks submitted more reports to MROS in 2006 than in the previous reporting year.



For comparison: 2005/2006

Type of bank	2005	2006	+/-
Major bank	44	143	+99
Foreign controlled bank	157	94	-63
Asset management bank	42	51	+9
Cantonal bank	23	31	+8
Private bank	6	14	+8
Regional & savings bank	8	9	+1
Trade bank	5	8	+3
Raiffeisen bank	3	6	+3
Branch of foreign bank	3	3	0
Other bank	1		-1
Other institute	1		-1
Total	293	359	+66

Incoming reports according to type of bank

Type of reporting	Art. 9 MLA		Art. 305 ^{ter} para. 2 SCC		Art. 24 MLO of the FBC in connection with Art. 9 MLA	
	2005	2006	2005	2006	2005	2006
Type of bank	2005	2006	2005	2006	2005	2006
Major bank	42	87	1	56	1	0
Foreign controlled bank	120	71	32	22	5	1
Asset management bank	39	46	1	2	2	3
Cantonal bank	22	24	1	6	0	1
Private bank	4	10	0	1	2	3
Regional & savings bank	7	8	1	0	0	1
Trade bank	5	8	0	0	0	0
Raiffeisen bank	3	6	0	0	0	0
Branch of foreign bank	3	2	0	1	0	0
Other banks	1	0	0	0	0	0
Other institutes	1	0	0	0	0	0
Total	247	262	36	88	10	9

2.3.6 Factors arousing suspicion

What the chart represents

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

Chart analysis

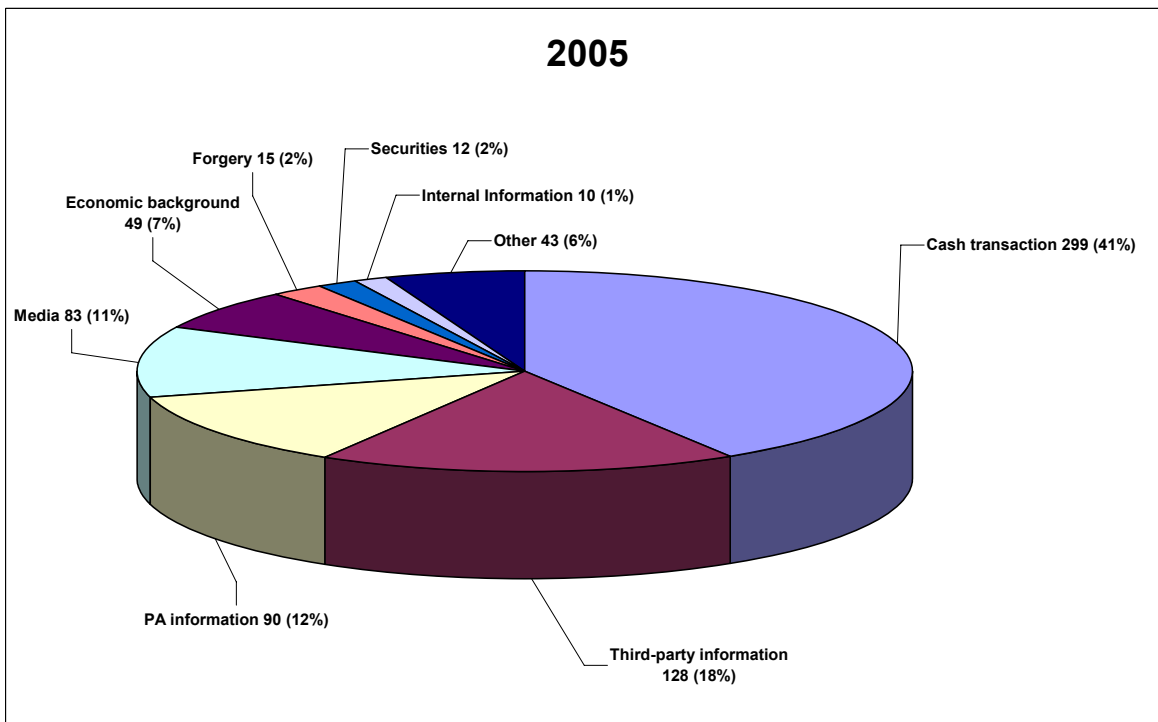
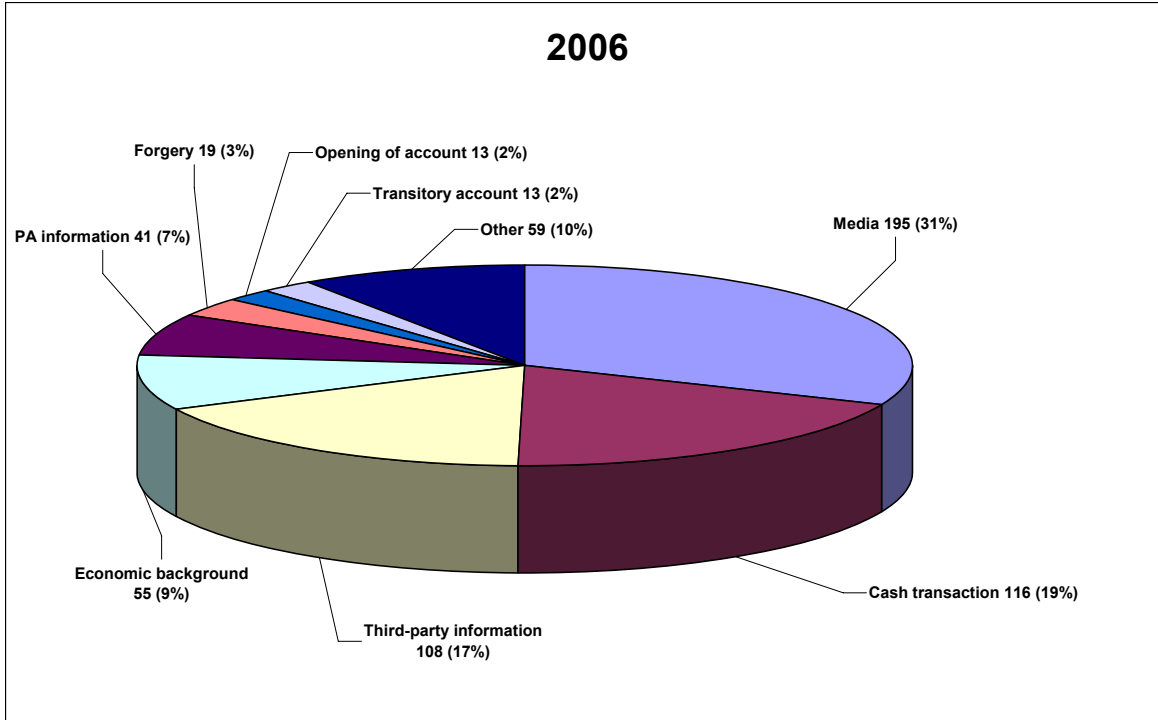
- *Suspicious activity reports often prompted by press reports*
- *Noticeable decrease in suspicious cash transactions as a factor prompting a report as a result of the decrease in reports filed by the payment transaction services sector*

In correlation with the considerable decrease in the number of reports filed by the payment transaction services sector, the table for the 2006 reporting year is headed not by *suspicious cash transactions* as in the past, but by the category *media reports*. If one compares the figures for the categories *Media*, *Third-party information* and *Information from law enforcement agencies* for the current reporting year with those for 2005, it is apparent that in 2006 outside information was an increasingly important factor – more than 56% as opposed to 41% in 2005 - in prompting a report. From this fact it may be concluded that the financial intermediaries do indeed fulfil their obligations of due diligence as provided for under money laundering legislation by analysing their client relations and by gathering background information on business partners and beneficial owners.

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.
Other	Included in this category are topics which were listed separately in previous MROS statistics such as check transactions, forgery, high-risk countries, currency ex-

change, securities, smurfing, life insurance, non-cash cashier transactions, fiduciary transactions, loan transactions, precious metals and various.



For comparison: 2005/2006

Factors	2005	2006	+/-
Media	83	195	+112
Cash transaction	299	116	-183
Third-party information	128	108	-20
Economic background	49	55	+6
PA information	90	41	-49
Forgery	15	19	+4
Opening of account	9	13	+4
Transitory account	6	13	+7
Currency exchange	6	12	+6
Securities	12	10	-2
Internal information	10	8	-2
Loan transaction		7	+7
Audit / Supervisory board		7	+7
Various	7	5	-2
Check transaction	8	4	-4
Life insurance	1	2	+1
Trust activity		2	+2
Difficult countries	3	1	-2
Precious metals		1	+1
Smurfing	3		-3
Total	729	619	-110

2.3.7 Nature of predicate offence

What the chart represents

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

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

The category *not classifiable* includes cases in which a variety of possible predicate offences are suspected. The heading *no suspicion* includes those cases to which no obvious predicate offence can be attributed, although the analysis of the transaction or of the economic background cannot exclude the criminal origin of the money.

Chart analysis

- *As opposed to the previous reporting year, an increase in fraud as predicate offence*
- *Marked decline in the category "not classifiable" as a direct consequence of the decline in reports from the payment transaction services sector*

As a direct consequence of the decrease in the number of reports from the payment transaction services sector, whose reports often contain too little substantial information to allow MROS to classify the report under a certain predicate offence, there was a dramatic decrease by nearly 50% in the category *"not classifiable"*, which after several years has slipped from the top of the table and been replaced by the category *"fraud"* as suspected predicate offence. In contrast to the previous reporting year, the category *"fraud"* saw an increase in 2006 of 69% or 87 cases, which means that in 2006 it constituted an overall share of 34% of all cases. This increase can be explained on the one hand by the fact that this category includes everything from big-time investment fraud, to the widespread practice of deception involving internet platform trading, down to advance-fee fraud. On the other hand, the increase in the number of reports from the banking sector has boosted the category of *"fraud"* as predicate offence since the share of reports involving fraud from this sector increased in 2006 to more than 43% (156 cases out of 359 reports) as opposed to the previous reporting year when it constituted only 25% (73 cases out of 293 reports).

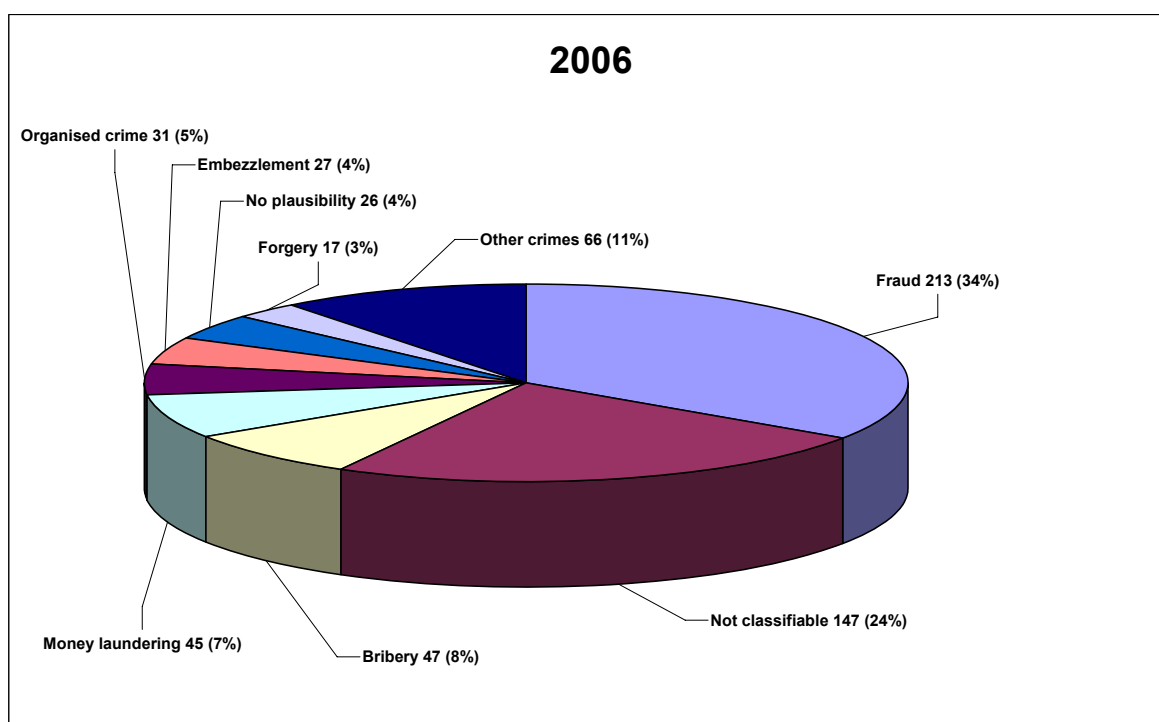
In 2006, MROS received 273 reports (just over 44% as opposed to 27% in 2005) in which offences against assets could be assumed to be the predicate offence to money laundering under Title II of the Swiss Criminal Code. This is hardly surprising when one considers that this category also includes the category *"fraud"*.

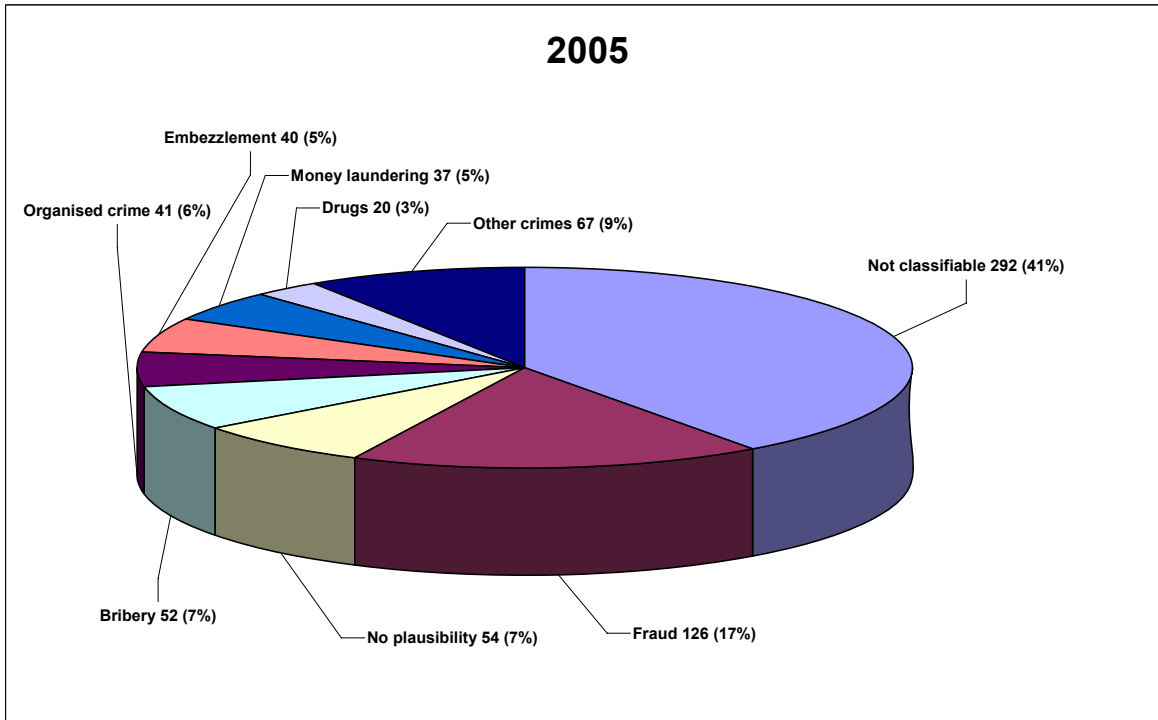
Other categories which underwent a shift in 2006 include *"no plausibility"* (from 54 to 26 cases), *"criminal organisation"* (from 41 to 31 cases) and *"dishonest business management"* (from 40 to 27 cases). However, it must be mentioned that the classification of the offence *"criminal organisation"* is often made on the basis of media reports, which fail to mention any other predicate offence.

The 45 cases (2005: 37 cases) classified directly under *"money laundering"* consist of those cases that MROS did not previously classify under a particular predicate offence, but which based on the content of the information or methods used typically reveal elements of money laundering.

With regard to the category *"document forgery"*, which showed an increase from 10 cases in 2005 to 17 cases in 2006 (+70%), it must be pointed out that this offence does not in itself generate criminal assets as provided for under Article 9 MLA. In this report this category is defined as a crime that is capable – indirectly – of yielding criminal assets such as through forged cheques or bank guarantees.

The remaining categories did not show any notable shifts and, considering the number of incoming reports, remained more or less at the same level as in the previous year.





For comparison: 2005/2006

Offence	2005	2006	+/-
Fraud	126	213	+87
Not classifiable	292	147	-145
Bribery	52	47	-5
Money laundering	37	45	+8
Organised crime	41	31	-10
Embezzlement	40	27	-13
No plausibility	54	26	-28
Forgery	10	17	+7
Drugs	20	14	-6
Other crimes against property	12	13	+1
Dishonest business management	10	11	+1
Other crimes	2	9	+7
Terrorism	20	8	-12
Theft	9	8	-1
Blackmail	1	1	0
Arms dealings		1	+1
Insufficient diligence in financial transactions		1	+1
Counterfeiting	1		-1
Violent crime	1		-1
Sexual crimes	1		-1
Total	729	619	-110

2.3.8 Domicile of clients

What the chart represents

This chart shows the domiciles of the corporations or individuals who were customers of the financial intermediary.

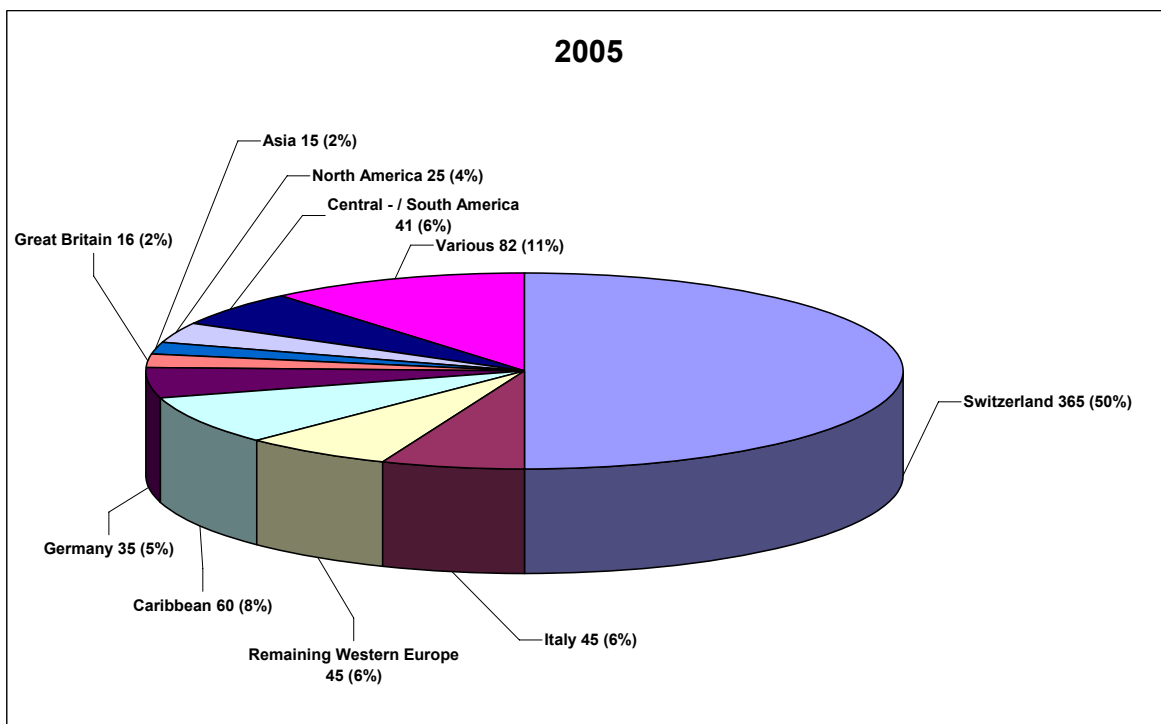
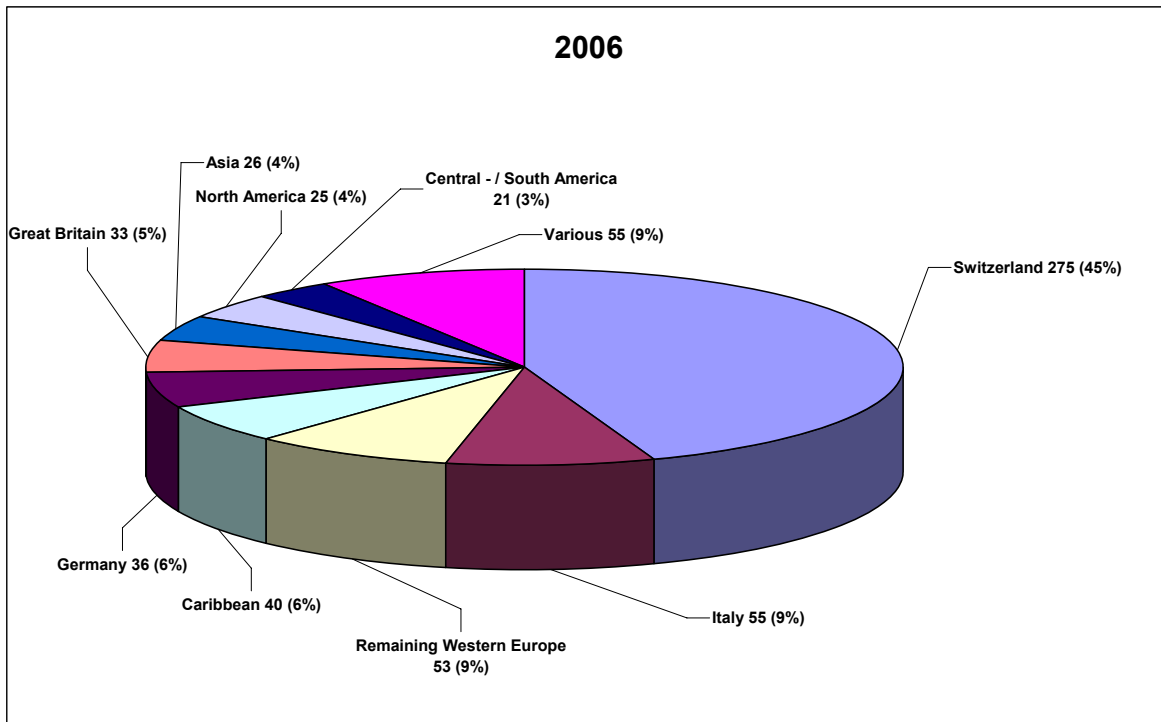
Chart analysis

- *Once again a decrease in the number of clients domiciled in Switzerland*
- *Increase in the number of persons domiciled in Western Europe who, as contracting party, were the subject of a report*

In 2006, nearly 45% (2005: 50%) of the contracting parties who were the subject of a report filed to MROS were domiciled in Switzerland. In absolute terms, the number decreased from 365 in 2005 to 275 in 2006 (-25%). This decrease is proportionately high in comparison to the decrease in the total number of reports filed (-15%), but is in keeping with the decline in the number of reports from the payment transaction services sector, whose clients are mainly domiciled in Switzerland. In contrast, the number of reports involving clients domiciled in Western Europe (including Great Britain and Scandinavia) increased from 164 in 2005 to 192 in the current reporting year. This represents 31% (2005: 22%) of the total number of reports filed in 2006. The twofold increase in the number of clients from Great Britain is due to the large number of companies domiciled in that region. The increase in the number of clients domiciled in Italy is certainly due to the rise in reports from Canton Tessin, since clients residing in Italy comprise a significant part of the clientele of the financial intermediaries in this frontier canton. A further shift – both in absolute and relative terms – was evident in the number of reports involving clients (mainly companies) domiciled in the Caribbean and in Central or South America.

Legend

Remaining Western Europe	Austria, Belgium, Spain, Liechtenstein, Greece, Luxemburg, Malta, Monaco, Netherlands, Portugal and San Marino
Various	France, Africa, Eastern Europe, Middle East, C.I.S., Asia, Australia/Oceania, Scandinavia and unknown



For comparison: 2005 / 2006

Domicile of client	2005	2006	+/-
Switzerland	365	275	-90
Italy	45	55	+10
Remaining Western Europe	45	53	+8
Caribbean	60	40	-20
Germany	35	36	+1
Great Britain	16	33	+17
Asia	15	26	+11
North America	25	25	0
Central - / South America	41	21	-20
Eastern Europe	13	14	+1
France	17	12	-5
Middle East	17	9	-8
Africa	13	8	-5
C.I.S.	2	7	+5
Scandinavia	6	3	-3
Unknown	8	1	-7
Australia/Oceania	6	1	-5
Total	729	619	-110

2.3.9 Nationality of clients

What the chart represents

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

Chart analysis

- *Reports involving Swiss nationals decline*
- *Nearly 75% of the clients who were subject of a report are European nationals*

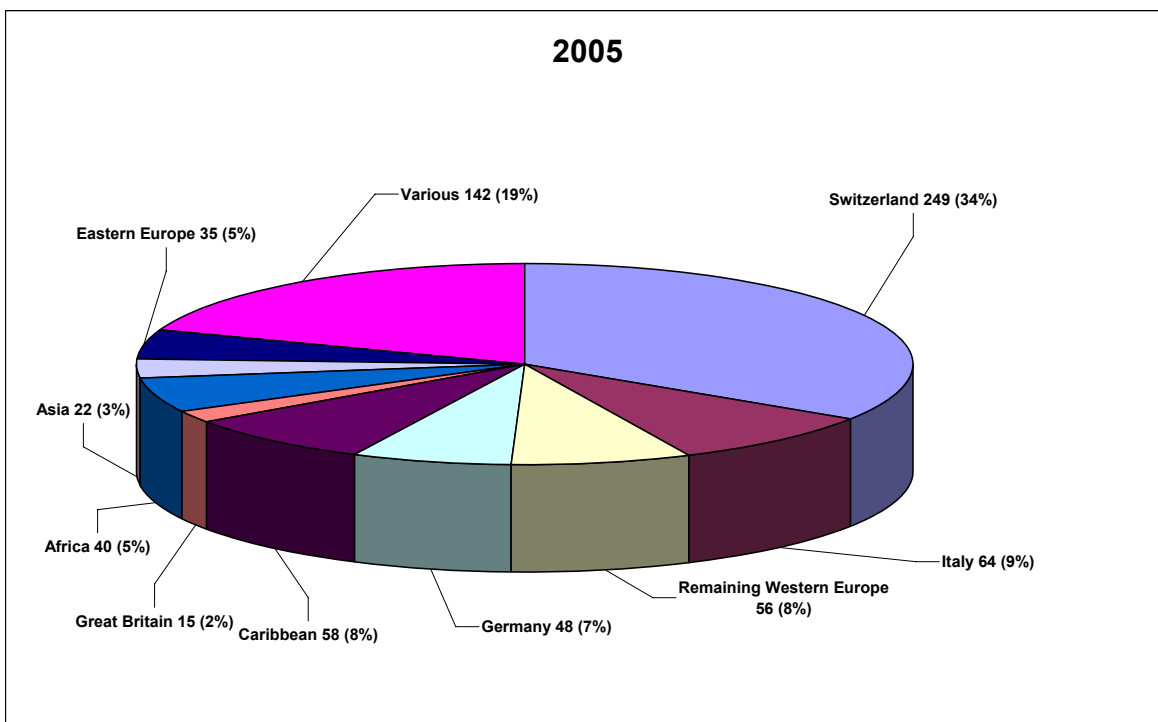
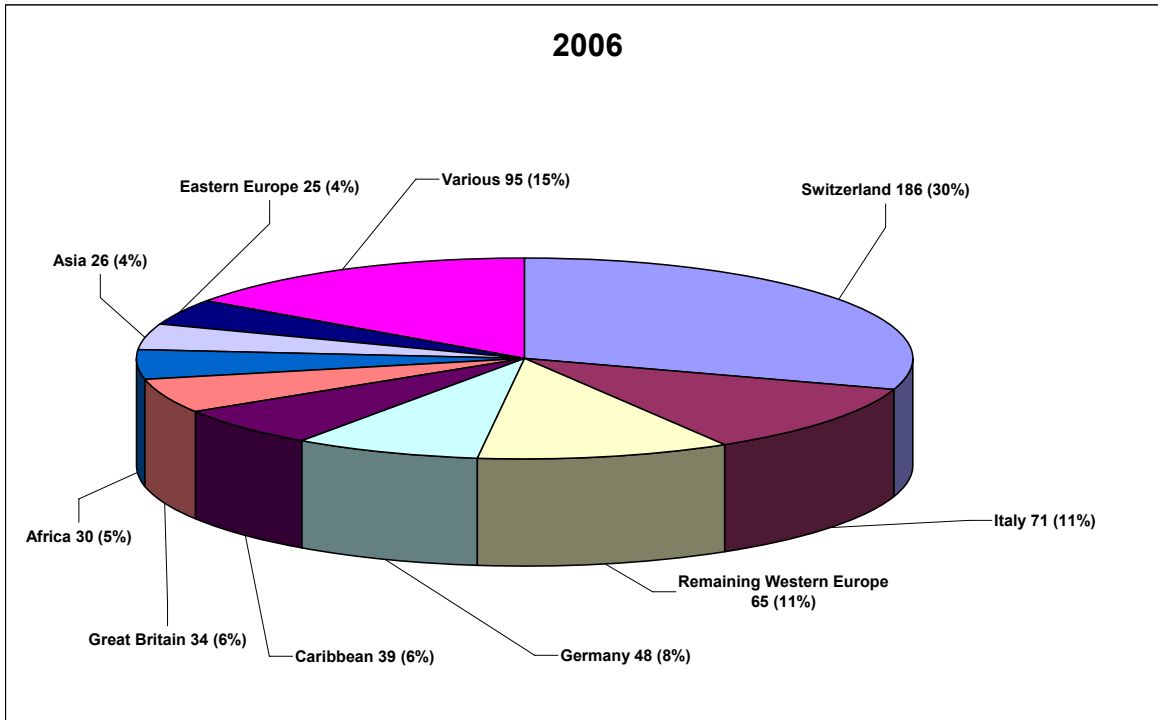
As to be expected, clients of Swiss nationality or domiciled in Switzerland are at the top of the table in 2006. Comprising 30% of the total number of reports, their share however did not stabilise in 2006 – as forecasted in the 2005 report – but rather declined further (2005: 34%). In second place again, with an increase in absolute terms and a slightly higher share compared to the previous reporting year (11%), are Italian nationals or companies domiciled in Italy, followed for the first time by German clients. In comparison to 2005, the number of clients from the Caribbean (including offshore companies domiciled in this region, whose domicile and nationality are identical) has declined. In addition, the number of reports involving African nationals also showed a decrease once again, falling from 40 in 2005 to 30 in 2006. This represents a 5%-share of the total number of reports, a figure which remains unchanged from the previous reporting year.

By and large these statistics support the assumption made in Chapter 2.3.8 that the domicile and nationality of clients is usually identical.

The percentage of European clients generally increased in 2006 to 73% (2005: 67%) of the total number of reports. Having said this, this figure does not take into account the nationality of clients from those C.I.S. countries belonging to Europe.

Legend

Remaining Western Europe	Austria, Belgium, Spain, Liechtenstein, Greece, Luxemburg, Malta, Netherlands, Portugal and San Marino
Various	North America, Central- / South America, France, Middle East, C.I.S., Australia/Oceania, Scandinavia and unknown



For comparison: 2005 / 2006

Nationality of client	2005	2006	+/-
Switzerland	249	186	-63
Italy	64	71	+7
Remaining Western Europe	56	65	+9
Germany	48	48	0
Caribbean	58	39	-19
Great Britain	15	34	+19
Africa	40	30	-10
Asia	22	26	+4
Eastern Europe	35	25	-10
North America	28	24	-4
Central- / South America	42	22	-20
France	18	19	+1
Middle East	33	16	-17
C.I.S.	8	8	0
Scandinavia	3	4	+1
Australia/Oceania	5	1	-4
Unknown	5	1	-4
Total	729	619	-110

2.3.10 Domicile of beneficial owners

What the chart represents

This chart shows the domicile of the individuals or corporations that were identified as beneficial owners of assets when the report was filed.

Chart analysis

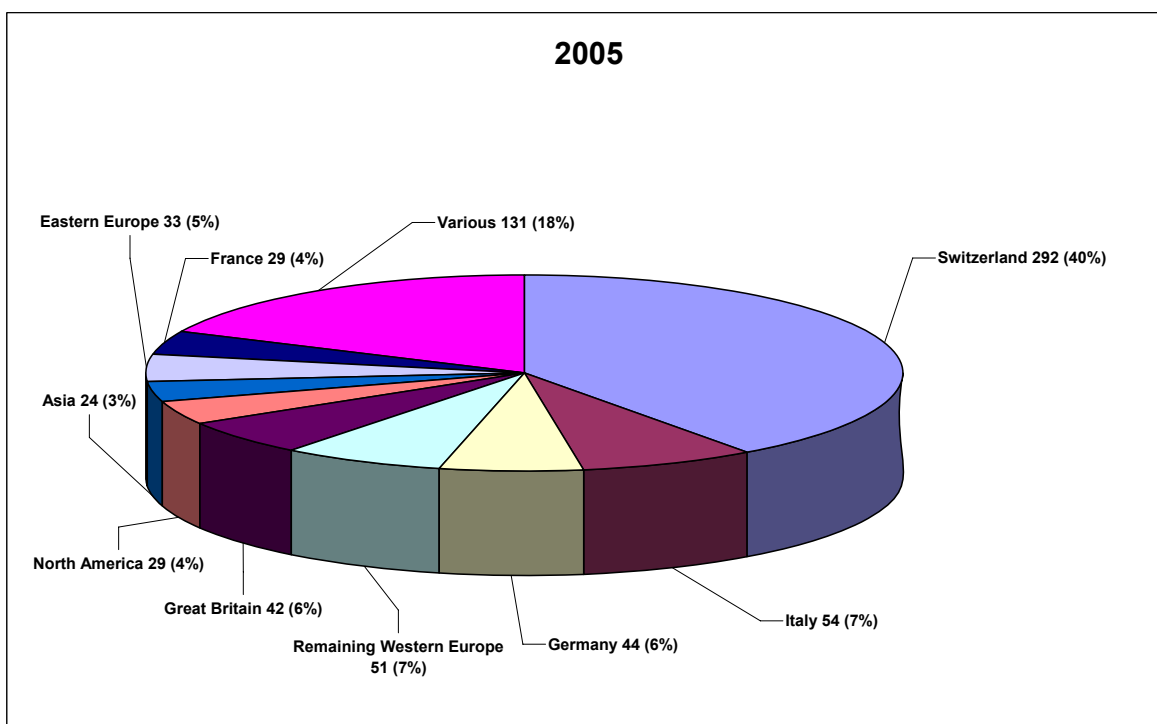
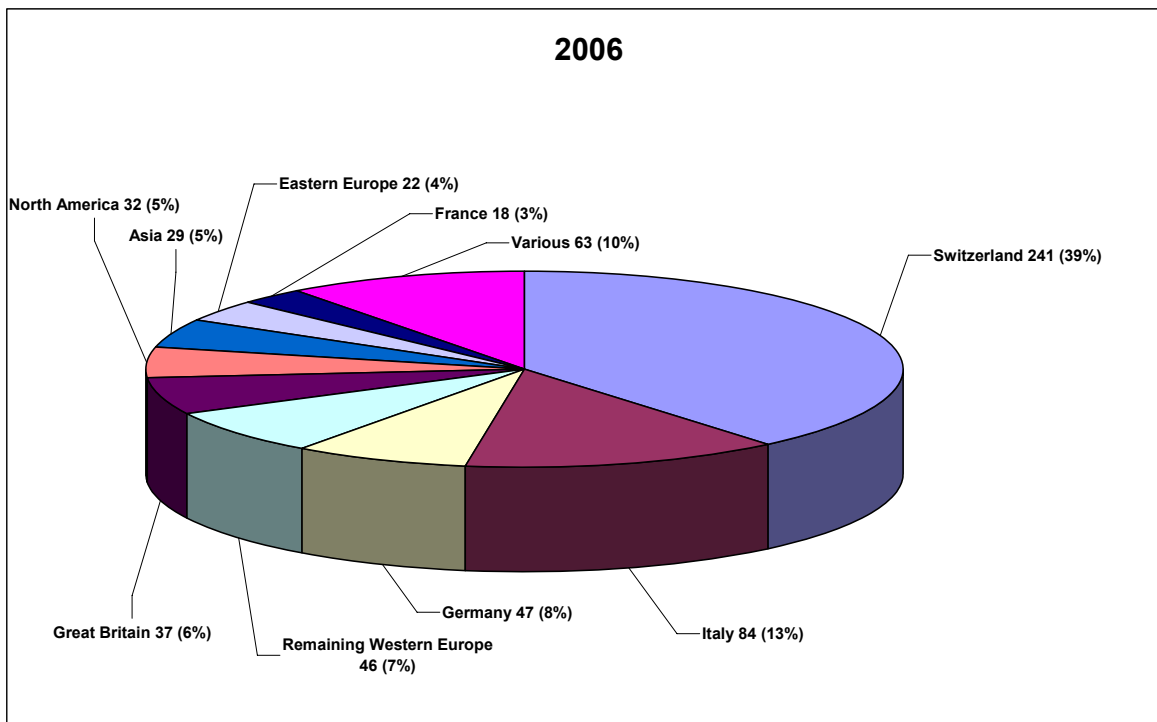
- *Further decrease in the number of beneficial owners domiciled in Switzerland*
- *Increase in the number of beneficial owners domiciled in Italy*
- *Relative increase in beneficial owners domiciled in Europe*

In contrast to the 2005 reporting year when there was a slight decrease compared to 2004 in relative terms in beneficial owners from Europe, the share of beneficial owners in this category increased slightly in 2006 to 81% (2005: 76%) despite a general decline in the overall number of reports filed to MROS (these figures do not include the C.I.S. countries belonging to Europe). These statistics lead to the conclusion that Switzerland's financial centre with its know-how, infrastructure and range of services is especially attractive to European clients.

As in the previous statistics on *Domicile of clients (Chapter 2.3.8)*, Swiss nationals once again constituted the largest category of beneficial owners, albeit with a slightly lower ratio of 39% (2005: 40%). Although beneficial owners from Italy have taken second place in the tables in the last few years, the increase in this category by 30 cases is striking if one considers the general decline in the total number of reports for 2006. This increase can be explained on the one hand by the rise in reports from financial intermediaries domiciled in the canton of Tessin, who often filed a report based on media reports in the Italian press on criminal proceedings against beneficial owners domiciled in Italy. On the other hand, the decline in the number of reports concerns the payment transaction services sector, which is mostly used by clients domiciled in Switzerland who, it is assumed, are also beneficial owners of the respective assets.

Legend

Remaining Western Europe	Austria, Belgium, Spain, Liechtenstein, Greece, Luxemburg, Netherlands, Portugal and San Marino
Various	Africa, Middle East, C.I.S., Central- / South America, Australia/Oceania, Caribbean, Scandinavia and unknown



For comparison: 2005 - 2006

Domicile beneficial owner	2005	2006	+/-
Switzerland	292	241	-51
Italy	54	84	+30
Germany	44	47	+3
Remaining Western Europe	51	46	-5
Great Britain	42	37	-5
North America	29	32	+3
Asia	24	29	+5
Eastern Europe	33	22	-11
France	29	18	-11
Africa	35	17	-18
C.I.S.	8	15	+7
Central- / South America	32	14	-18
Middle East	30	10	-20
Scandinavia	11	4	-7
Unknown	7	1	-6
Australia/Oceania	4	1	-3
Caribbean	4	1	-3
Total	729	619	-110

2.3.11 Nationality of beneficial owners

What the chart represents

This chart shows the nationality of those individuals who were identified as beneficial owners of assets when the report was submitted. With corporations, nationality is the same as domicile. Frequently, however, it is only during the investigations by the law enforcement agencies that the actual beneficial owners and their nationality are identified.

Chart analysis

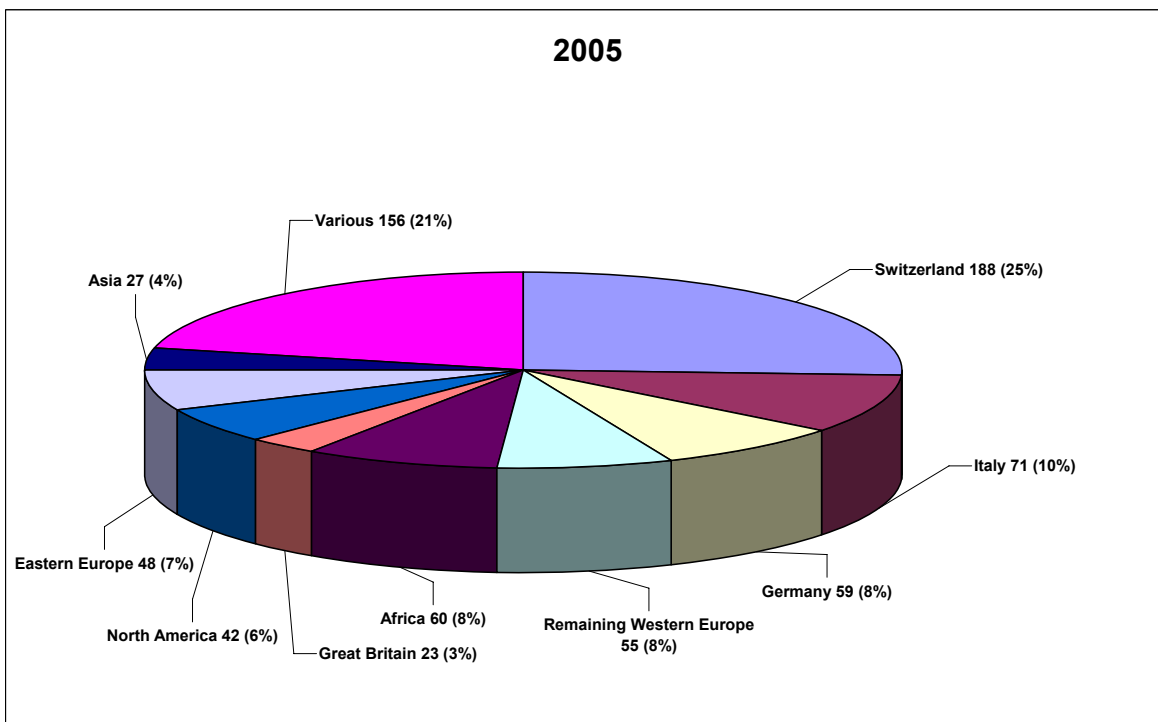
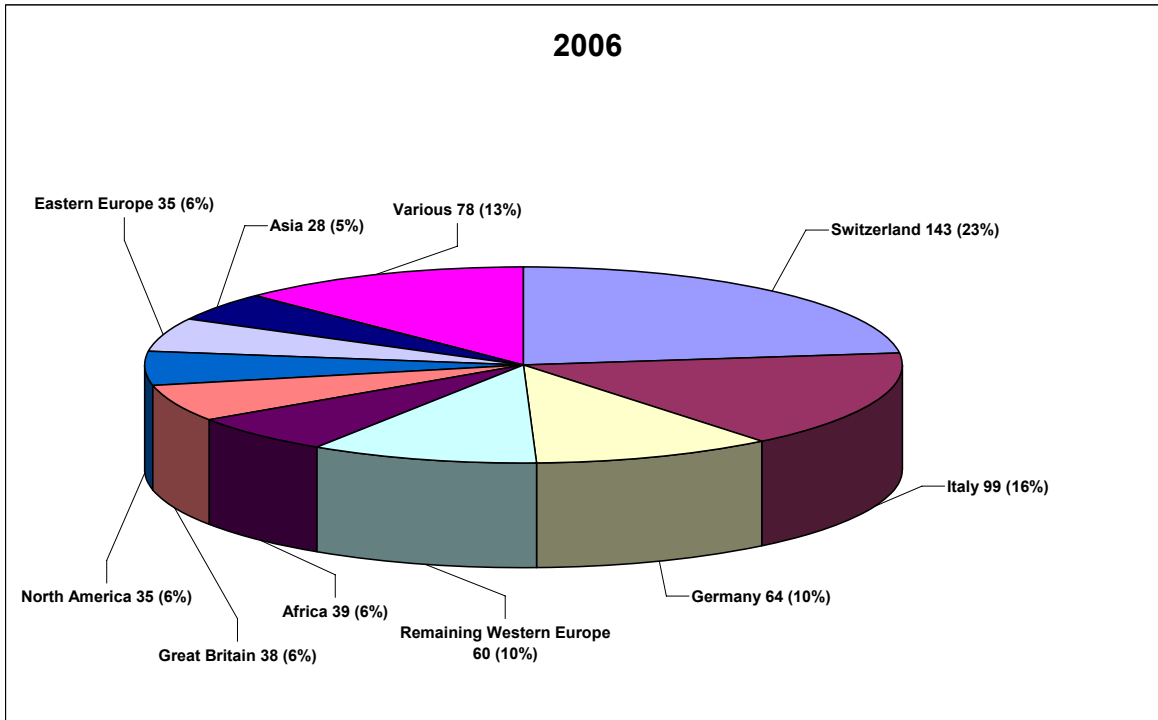
- *Further decrease in the number of Swiss beneficial owners*
- *Increase in the number of Italian beneficial owners*

European beneficial owners (not including nationals from C.I.S. countries belonging to Europe) continued to dominate this category in 2006 with an increased share of 76% (2005: 67%) despite a general decline in the overall number of reports filed to MROS. This confirms the assumption that Switzerland is attractive mostly to European clients as a financial centre. As to be expected, Swiss nationals once again head this group with 23%, a slight decrease compared to the 2005 figures (26%). In second place are beneficial owners from Italy, with an increased ratio compared to the previous reporting year of 16% (2005: 10%). The reasons for this increase (since domicile and nationality are usually identical) are mentioned in Chapter 2.3.10.

If one compares the other beneficial owners according to nationality in the years 2005 and 2006, there is no significant shift. The only surprising difference is the decrease in the number of beneficial owners from African states, which may be explained by the decline in the number of reports filed from the payment transaction services. A further noticeable difference is the decrease in the number of reports involving beneficial owners from Central and South America as well as the Middle East.

Legend

Remaining Western Europe	Austria, Belgium, Spain, Liechtenstein, Greece, Luxemburg, Netherlands, Portugal and San Marino
Various	France, Middle East, C.I.S., Central- / South America, Australia/Oceania, Caribbean, Scandinavia and unknown



For comparison: 2005 - 2006

Nationality economic beneficiary	2005	2006	+/-
Switzerland	188	143	-45
Italy	71	99	+28
Germany	59	64	+5
Remaining Western Europe	55	60	+5
Africa	60	39	-21
Great Britain	23	38	+15
North America	42	35	-7
Eastern Europe	48	35	-13
Asia	27	28	+1
France	42	27	-15
Middle East	50	16	-34
C.I.S.	17	16	-1
Central- / South America	31	11	-20
Scandinavia	6	5	-1
Australia/Oceania	3	2	-1
Unknown	4	1	-3
Caribbean	3	0	-3
Total	729	619	-110

2.3.12 Law enforcement agencies

What the chart represents

This chart shows to which law enforcement agency MROS passed on its reports. The general regulations on the court of jurisdiction and Article 340^{bis5} of the Swiss Criminal Code (SCC) determine which federal agency is responsible.

Chart analysis

- *Higher ratio of reports forwarded to law enforcement agencies*
- *Slightly fewer cases for federal law enforcement agencies*
- *Slight increase in cases for law enforcement agencies of Canton Zurich*
- *More cases forwarded to Canton Tessin*

Of the 619 (2005: 729) reports submitted in 2006, 507 (2005: 506), or approximately 82% (2005: approx. 69%) were forwarded to the law enforcement agencies following the evaluation by MROS. This is the first time that these figures have increased, after having declined continuously in the last few years. This increase is undoubtedly a result of the increase in reports from the banking sector whose reports have traditionally enjoyed a high ratio of forwarding to the law enforcement agencies (2006: 94%; 2005: 92%). A further reason for the increase in the overall ratio of reports forwarded to the law enforcement agencies is the decline in the number of reports from the payment transaction services sector, which has traditionally seen fewer reports being passed on (2006 just under 57%, 2005 45%). The ratio of 82% is a consequence of the better quality of reports filed to MROS compared to the previous reporting years.

Under Article 340^{bis} SCC⁶, the Office of the Attorney General of Switzerland is responsible for prosecuting cases involving terrorist financing, money laundering, corruption and organised crime with an international connection, or cases where an offence was committed in several cantons. Whereas 164 or 32% of all cases were forwarded to the Attorney General's Office in 2005, this figure fell to 149 or 29% in 2006 (taking the decline in the total number of reports submitted to MROS in 2006 into consideration). This resulted in fewer reports involving *organised crime*, *corruption* and *terrorism* (see Chapter 2.3.7 *Nature of predicate offence*).

Whereas there was a decrease in 2005 compared to the previous reporting year in the number of reports forwarded to the law enforcement agencies of Canton Zurich, this category showed an increase in the current reporting year. As opposed to 2005 when out of a total of 506 incoming reports 79 – or 16% – were forwarded to the canton of

⁵ New article number as of 01.01.2007: art. 336 SSC

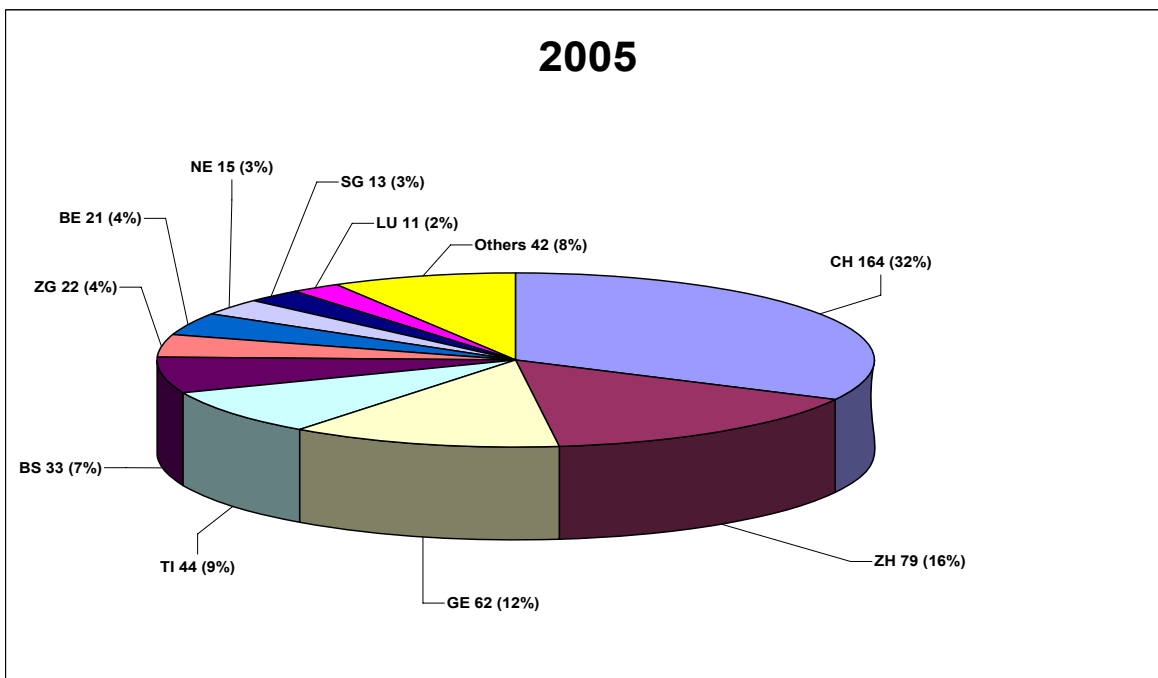
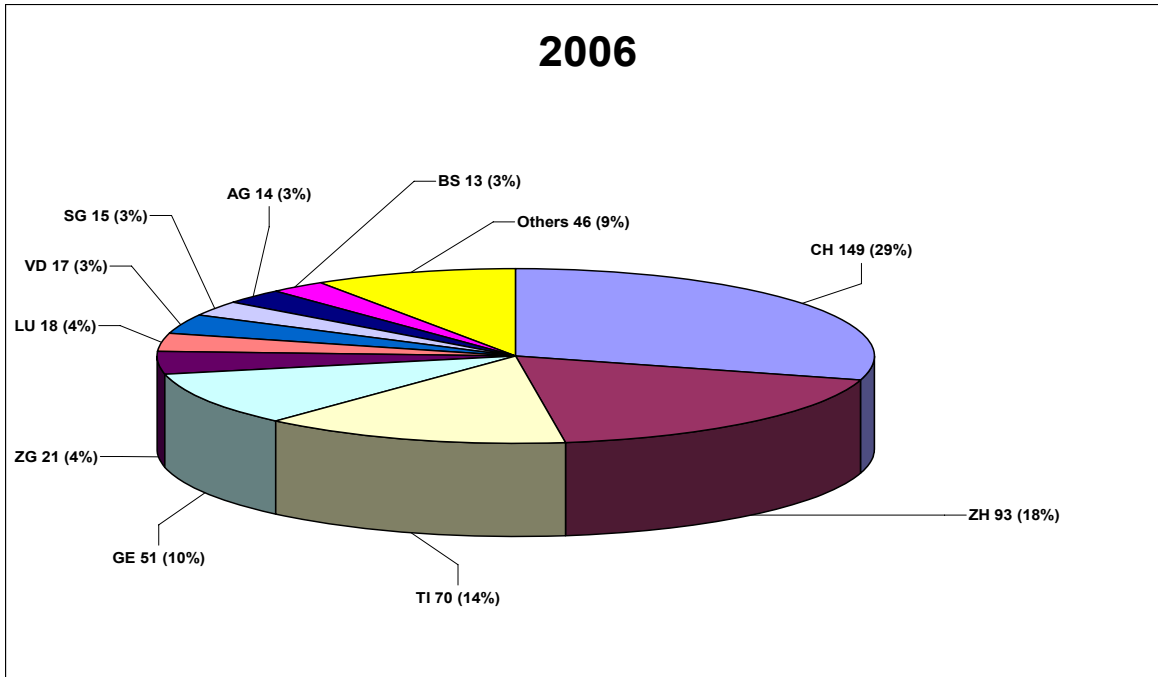
⁶ New article number as of 01.01.2007: art. 337 SSC

Zurich, this figure increased to 93 out of a total of 507 – or 18% - of reports filed with MROS. There were also more cases in comparison to the previous year for the canton of Tessen (2006: 70 cases or +59%), which overtook the canton of Geneva in the tables (2006: 51 cases; 2005: 62 cases). These figures correlate to the notable increase in the number of reports and the statistics regarding the client relationship in this canton. The largest decrease was in the number of reports forwarded to the canton of BaselStadt; this canton showed a decrease from 33 cases in 2005 to 13 cases in 2006 (-61%). This decline can be explained by the fact that in 2005 17 reports were submitted involving one single case.

The law enforcement agencies in the cantons of Appenzell Inner Rhoden and Ausser Rhoden, Nidwalden, Obwalden, Glarus, Schaffhausen and Uri handled no cases in 2006. This may be explained by the fact that next to no reports were filed to MROS by these cantons (see Chapters 2.3.2 and 2.3.3).

Legend

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



For comparison 2005/2006

Canton	2005	2006	+/-
CH	164	149	-15
ZH	79	93	+14
TI	44	70	+26
GE	62	51	-11
ZG	22	21	-1
LU	11	18	+7
VD	11	17	+6
SG	13	15	+2
AG	5	14	+9
BS	33	13	-20
BE	21	13	-8
SZ	2	5	+3
VS	1	5	+4
NE	15	4	-11
BL	5	4	-1
FR	4	4	0
TG	3	4	+1
SO	4	3	-1
GR	4	3	-1
JU	1	1	0
GL	1		-1
SH	1		-1
AI			
AR			
NW			
OW			
UR			
Total	506	507	+1

2.3.13 Status of reports forwarded to the law enforcement agencies

What the chart represents

This chart shows the current status of the reports that were forwarded to the federal and cantonal law enforcement agencies. It is to be noted that statistics regarding the Attorney General's Office have only been kept since January 2002 when the federal government was given jurisdiction over organised and economic crime under Article 340^{bis}⁷ of the Swiss Criminal Code (the so-called Efficiency Bill).

Chart analysis

44% of all the reports forwarded to the law enforcement agencies since 1998 are still under investigation

Under Article 23 paragraph 4 MLA, MROS is responsible for deciding which reports should be forwarded to the federal and cantonal law enforcement agencies.

For the third consecutive year, this report publishes detailed statistics on the decisions made by the law enforcement agencies and on how many cases are still pending.

From 1 April 1998 to 31 December 2006, MROS forwarded a total of 3730 reports to the law enforcement agencies: At the end of 2006, the following verdicts had been delivered in 2083 or 56% of cases:

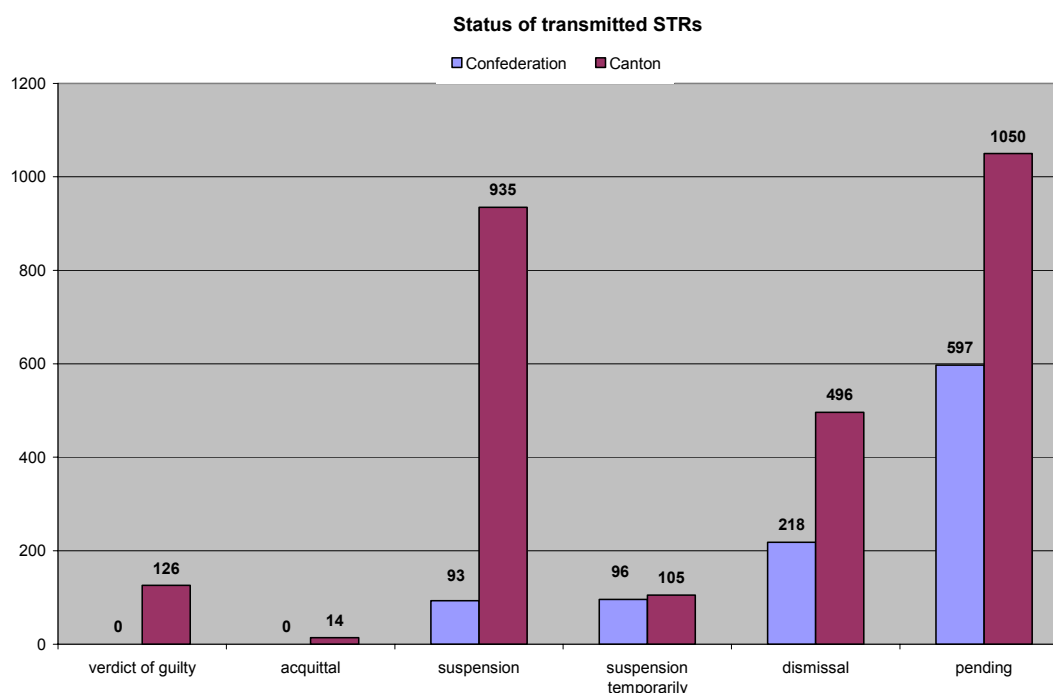
- In 140 cases there was a conviction (122 at the end of 2005).
- In 1028 cases proceedings were initiated but the case was later dropped as a result of the findings of the criminal investigations (895 at the end of 2005).
- In 714 cases (576 at the end of 2005) no criminal proceedings were instigated following the preliminary investigations. This concerned mainly cases in connection with reports from the payment transaction services sector.
- In 201 cases (155 at the end of 2005) legal proceedings in Switzerland were suspended because proceedings in the same matter were underway in another country.

⁷ New article number as of 01.01.2007: art. 336 SSC

Although the number of pending cases has been reduced in comparison to 2005, approximately 44% (46% at the end of 2005) of the cases forwarded to the law enforcement agencies – 1647 in total – are still under investigation. There are various reasons for this:

- Cases concerning money laundering and terrorist financing often have an international aspect, which makes investigations lengthy and more difficult.
- Requests for international mutual assistance in connection with such cases are often complex and time-consuming.
- The statistics on pending cases probably also include cases that led to a conviction but not under Article 260^{ter} paragraph 1 (criminal organisation), 305^{bis} (money laundering) or 305^{ter} (lack of due diligence) of the Swiss Criminal Code and were therefore not reported to MROS under Article 29 paragraph 2 MLA.

It is also to be assumed that, in violation of Article 29 paragraph 2 MLA, the law enforcement agencies did not inform MROS about some cases⁸.



⁸ See Chapter 5.2. of the MROS Annual Report 2004

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

Financial Intelligence Units (FIUs) are foreign agencies equivalent to MROS with which a formal exchange of information exists under Article 32 MLA and Article 13 MLO. This exchange of information mainly takes place between the member states of the Egmont Group⁹.

What the chart represents

This chart shows which FIUs in other countries asked MROS for information, and how many individuals and corporations were involved in these requests.

Chart analysis

8% increase in inquiries

With a total of 467 inquiries from 56 countries, MROS replied to slightly more foreign FIUs in 2006 than in the previous reporting year (2005: 462). The figures for 2006 show an increase by 8% in the number of inquiries involving individuals or companies (2006: 1693 persons; 2005: 1569 persons).

Whilst Germany (+108% individuals due to highly publicised cases of corruption) and Luxembourg (+45%) requested the assistance of MROS to a much greater degree than in the previous reporting year, requests from Belgium (-52%) and Italy (-59%) declined significantly.

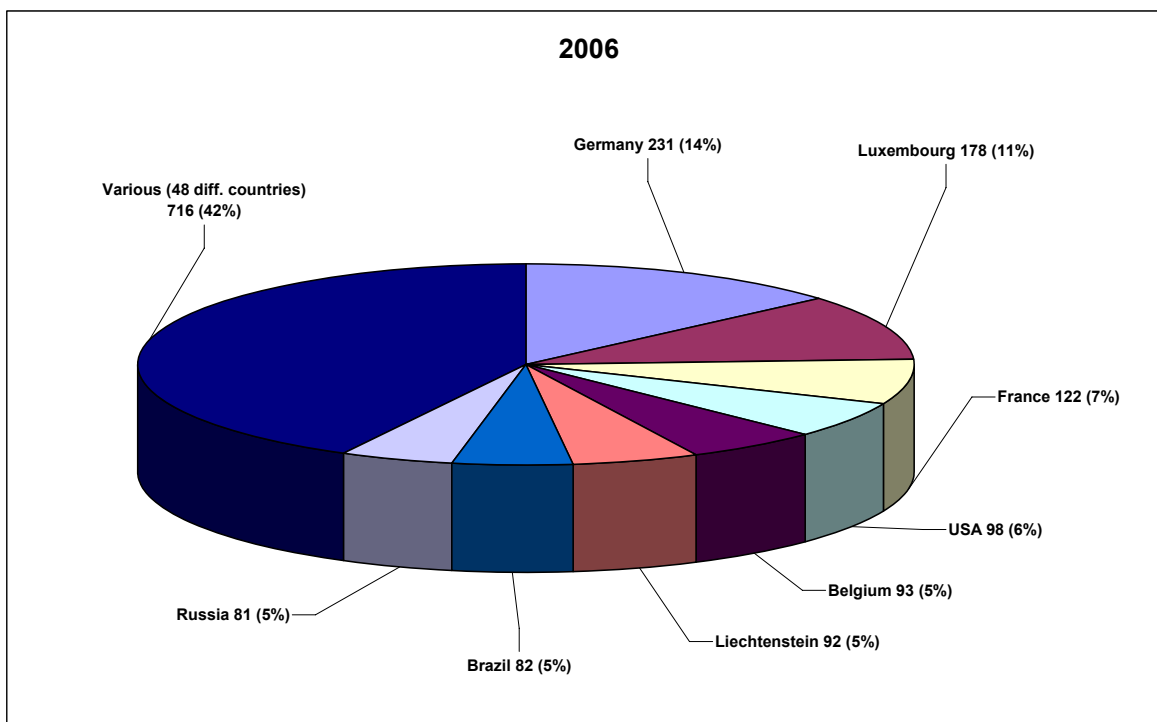
The average waiting time for a reply was five working days after receipt of the inquiry.

In 2006, MROS ran on average checks on 141 individuals or companies each month at the request of other FIUs (2005: 131).

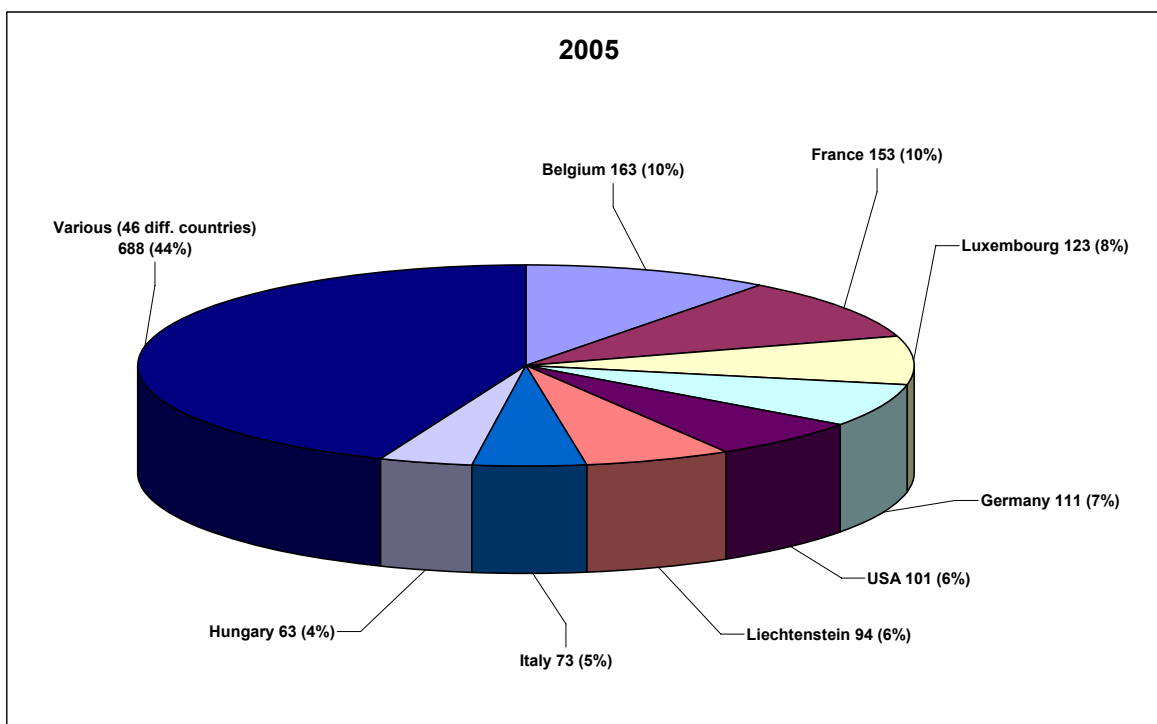
When MROS receives an inquiry from abroad, a computer check is run on the individuals and companies in the existing databanks, and details are stored in its own GEWA databank. Should the individual or corporation later appear in the reports by Swiss financial intermediaries, GEWA indicates possible criminal activity abroad.

⁹ www.egmontgroup.org

2006: 1693 persons / corporations



2005: 1569 persons / corporations



For comparison 2005/2006

Country	2006	2005	+/-		Country	2006	2005	+/-
Germany	231	111	120		Lebanon	9	5	4
Luxembourg	178	123	55		Argentina	9	44	-35
France	122	153	-31		Montenegro	8	0	8
USA	98	101	-3		Ireland	8	12	-4
Belgium	93	163	-70		Netherlands	8	20	-12
Liechtenstein	92	94	-2		Mauritius	7	1	6
Brazil	82	44	38		Cayman Islands	5	2	3
Russia	81	33	48		Ukraine	5	8	-3
Spain	55	18	37		Gibraltar	5	2	3
Bulgaria	52	53	-1		Monaco	4	8	-4
Austria	49	22	27		Norway	4	34	-30
Finland	42	10	32		New Zealand	4	0	4
Peru	33	34	-1		South Africa	4	0	4
Portugal	32	21	11		Serbia	3	3	0
Hungary	31	63	-32		Indonesia	3	5	-2
Great Britain	30	30	0		Iceland	3	0	3
Italia	30	73	-43		Egypt	2	0	2
Croatia	28	34	-6		Macedonia	2	0	2
Jersey	27	21	6		Paraguay	2	0	2
Israel	27	36	-9		Sweden	2	1	1
Isle of Man	23	22	1		Slovakia	1	15	-14
Bahamas	22	8	14		Senegal	1	0	1
Malta	17	0	17		St. Vincent + Grenada	1	0	1
Albania	17	0	17		Costa Rica	0	3	-3
Rumania	16	10	6		Latvia	0	3	-3
Georgia	14	3	11		Slovenia	0	9	-9
Cyprus	12	0	12		Bermudas	0	10	-10
Mexico	11	5	6		Hong Kong	0	15	-15
Guernsey	10	38	-28		Philippines	0	14	-14
Poland	10	4	6		Turkey	0	11	-11
Lithuania	10	4	6		United Arab Emirates	0	1	-1
Czech Republic	9	3	6		Dominica	0	1	-1
Estonia	9	8	1		Total	1693	1569	+124

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

Financial Intelligence Units (FIUs) are foreign agencies equivalent to MROS with which a formal exchange of information exists under Article 32 MLA and Article 13 MLO. This exchange of information mainly takes place between the member states of the Egmont Group.

What the chart represents

This chart shows the countries approached by MROS for information about individuals and corporations and the numbers involved.

Chart analysis

Decline in the number of inquiries made by MROS to other FIUs

In 2006, MROS made 292 (2005: 320) inquiries to 51 FIUs abroad. These inquiries involved 1106 (2005:1143) individuals or companies. The foreign FIUs required an average of nearly 18 days to reply to the requests.

MROS' most important partner is the FIU in Germany, which received requests for information from MROS in 2006 on 249 individuals (+32%). Inquiries to FIUs in Great Britain (2006: 119 or +70%) and to FIUs in France (2006: 110 or +62%) also increased significantly.

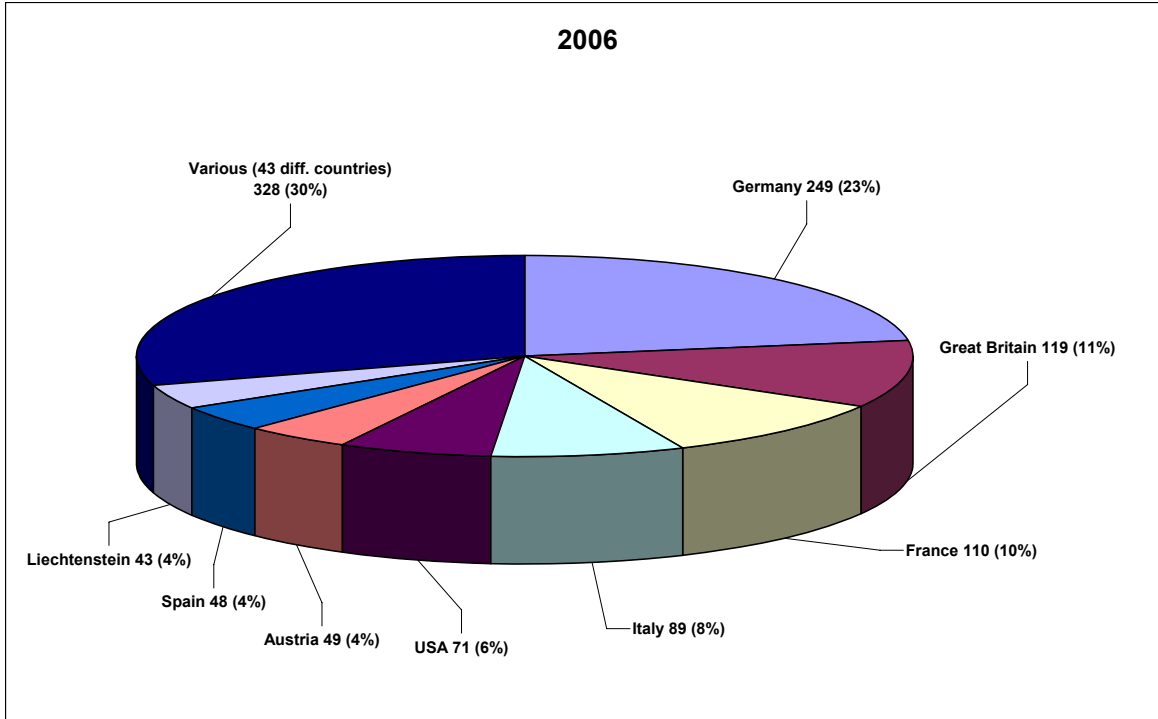
On average, MROS asked FIUs abroad for information on 92 individuals or companies each month (2005: 95).

The decline in the number of inquiries by MROS abroad corresponds to the fall in the total number of reports filed to the Reporting Office in 2006. However, the decline in the number of inquiries by MROS to FIUs abroad (approximately -3%) is much greater than the relative decline in the number of incoming reports (approximately -15%). This reflects the further strengthening of international cooperation in this field.

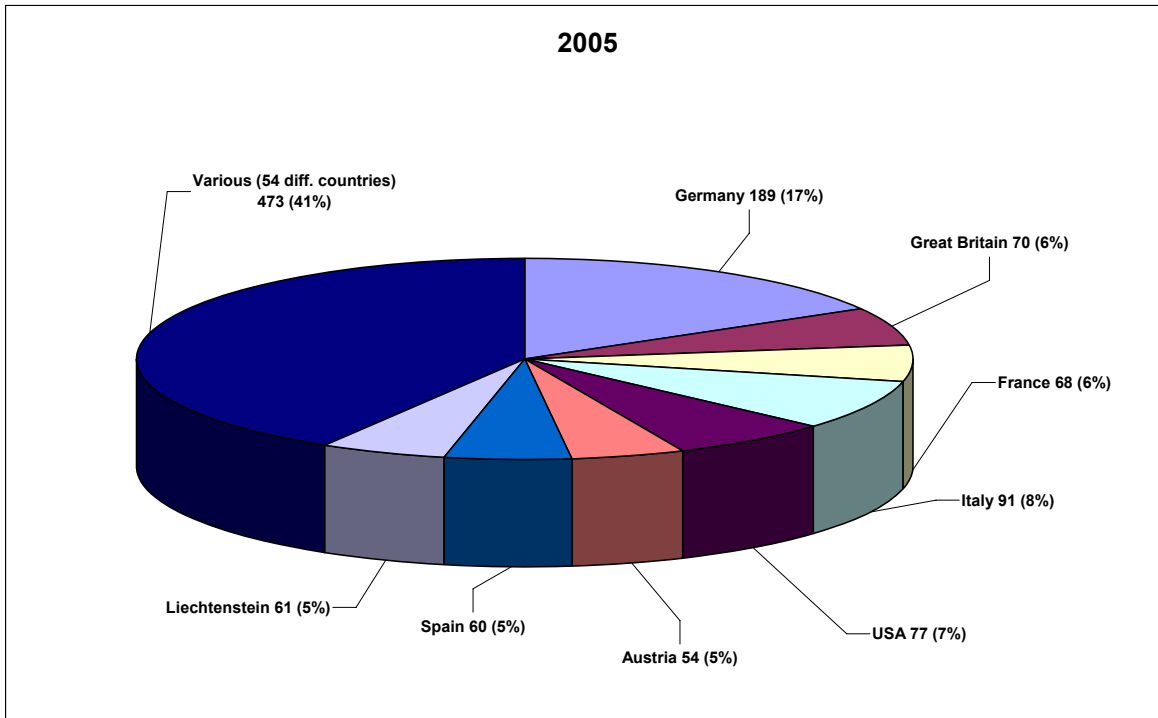
When MROS receives a suspicious activity report from a Swiss financial intermediary in which individuals or companies from abroad are involved, it may request information from the respective country. The information received from foreign FIUS is used to analyse the case and is important to the work of the Reporting Office because many of the incoming reports have an international connection.

In the present reporting year, MROS requested information from foreign FIUs in approximately one-third of all incoming cases (205 out of 619 cases).

2006: 1106 persons / corporations



2005: 1143 persons / corporations



For comparison 2005/2006

Country	2006	2005	+/-	Country	2006	2005	+/-
Germany	249	189	60	Bermudas	3	5	-2
Great Britain	119	70	49	Hungary	3	4	-1
France	110	68	42	Antilles (NL)	3	4	-1
Italy	89	91	-2	Burundi	3	4	-1
USA	71	77	-6	Finland	3	0	3
Austria	49	54	-5	Ukraine	2	5	-3
Spain	48	60	-12	Mauritius	2	4	-2
Liechtenstein	43	61	-18	Thailand	2	2	0
Belgium	31	32	-1	Paraguay	2	0	2
Netherlands	30	25	5	Costa Rica	2	0	2
Brazil	28	10	18	Taiwan	2	0	2
Panama	23	10	13	Philippines	1	4	-3
Luxembourg	20	24	-4	Guernsey (GB)	1	1	0
Romania	18	32	-14	Bolivia	0	18	-18
Poland	14	4	10	Cyprus	0	15	-15
South Korea	13	0	13	United Arab Emirates	0	14	-14
British Virgin Islands	10	16	-6	Malaysia	0	14	-14
Australia	9	0	9	Isle of Man	0	18	-18
Hong Kong	8	6	2	Slovakia	0	12	-12
Singapur	8	4	4	San Marino	0	11	-11
Portugal	7	19	-12	Argentina	0	10	-10
Russia	7	15	-8	Bulgaria	0	7	-7
Indonesia	6	13	-7	Columbia	0	6	-6
Danemark	6	8	-2	Serbia	0	6	-6
Israel	6	6	0	Latvia	0	6	-6
Ireland	6	0	6	Macedonia	0	5	-5
New Zealand	6	0	6	Malta	0	4	-4
Jersey (GB)	5	7	-2	Japan	0	4	-4
Turkey	5	0	5	Montenegro	0	4	-4
Gibraltar	5	0	5	Bahamas	0	3	-3
Greece	4	6	-2	Dominican Rep.	0	3	-3
Croatia	4	4	0	Lebanon	0	3	-3
Venezuela	4	0	4	Antigua + Barbuda	0	3	-3
Mexico	4	0	4	Bahrain	0	2	-2
Sweden	3	11	-8	Egypt	0	2	-2
South Africa	3	11	-8	Czech Rep.	0	1	-1
Chile	3	0	+3	Katar	0	1	-1
Monaco	3	5	-2	Total	1106	1143	-37

3. Typologies

3.1. *Placing a bank account at the disposal of third persons poses risks*

A bank undertook to monitor the movements in a company's accounts, the administrator of which is a woman of Swiss nationality. The bank's attention was attracted by certain transactions (incoming credit payments) which did not seem to tally with the client's activities. The task in hand was to verify whether the client's statements made on Form A were credible (the form indicated the client's company as beneficial owner of the assets).

On being questioned within the scope of a special inquiry under Article 6 MLA, the client explained that the payments representing several hundred thousands of francs came from North America, corresponding to sales commissions for real estate transactions in which she had acted as an intermediary. She also stated that she was not able to justify a certain number of these transactions.

Considering her lack of professional qualifications and of sufficiently documented links with a foreign market, the bank had difficulty in accepting the client's version and reported the case to MROS, at the same time freezing her accounts.

Investigations conducted in the various databases revealed that the client had regularly been involved in penal matters in connection with crimes of an economic nature (fraud, forgery, money laundering). It was furthermore established that she had been the subject of numerous international rogatory committees for similar crimes. MROS concluded that the client had, without any scruples, agreed to place her accounts at the disposal of partners with dishonest intentions.

These circumstances alone justified the transmittal of the communication to the law enforcement agencies but there is also a charge of document counterfeiting in connection with the false indication of the beneficial owner on Form A.

3.2. *Unclear economic background – special inquiry under Article 6 MLA*

The attention of a financial institute was drawn to an account in the name of a financial intermediary following a cash withdrawal at the counter amounting to a one-digit million sum. The money was allegedly required for a deposit on the purchase of a

valuable object. A review by the financial institute of the movements in the relevant account revealed that the funds for the initially announced, and subsequently executed, cash withdrawal came from two private persons in Europe and had been transferred by the same foreign bank. Owing to the unusual nature of the transaction effected and the unclear economic background, the financial institute requested further information under Article 6 MLA. When questioned in the course of this special inquiry, the contracting partner made various contradictory claims, also with regard to the beneficial ownership of the assets. He also gave hardly comprehensible or credible information about the modalities of the purchase or intended further sale of the valuable object on commission. Furthermore, he submitted a dubious expert's report valuing the valuable object at a two-digit million amount and a specimen of a private contract aimed at making credible the transfers from elsewhere in Europe. The documentation submitted to the financial institute by the contracting partner was not able to quell justified doubts regarding the business transactions; on the contrary, it could even be assumed that any contractual agreements for the protection of the capital introduced from abroad had not been observed, and that misappropriation of the assets by the contracting partner acting as a financial intermediary could not be ruled out. Based on the result of the special inquiry under Article 6 MLA, the financial institute sent a suspicious activity report to MROS, whose investigations revealed that the representatives of the contractual partner and financial intermediary indicated were known to the police and that the expert's report was most probably a forgery. The suspicious activity report was passed on to a cantonal law enforcement agency, which is now dealing with the case.

3.3. *More appearance than reality*

MROS received a report from a bank regarding its business connection with a Swiss company. The company had been established only a few months previously by a Swiss fiduciary for the purpose of the production and sales of watches. The company was founded on behalf of an entrepreneur domiciled in the Far East. According to various articles in the press, the entrepreneur has recently been arrested in his native country on suspicion of fraud.

He had set up a new watch brand and sold "luxury" wristwatches in the Asian region. Through clever marketing and misleading statements, the entrepreneur had convinced prospective buyers that these watches were extremely exclusive luxury articles, which had until recently been available only to a small number of prominent persons. He moreover assured his customers that the watches had been produced in a Swiss factory of high repute.

In order to produce proof of Swiss origin, he had sent the watches produced in Asia to Switzerland, from where they were immediately sent back to Asia. His company in Switzerland was founded solely for this purpose. Through this process, the entrepreneur

neur acquired the desired export documents which were supposed to prove Swiss origin.

In fact, these watches were cheap products which had been produced in his native country from cheap components made in Asia. The cost of producing the watches ranged from CHF 100 to CHF 260. However, they were sold in a price range between CHF 8 000 and CHF 130 000.

Based on this information, MROS sent the suspicious activity report to a cantonal law enforcement agency, which instituted criminal proceedings on the charge of money laundering.

3.4. *The hidden dangers of e-banking*

Through a tip given by a European company, which is specialised in setting up Swiss bank accounts, a customer advisor at a Swiss bank contacted a prospective new client domiciled in the USA, which concluded with the opening of a new private account. Contacts with the client were mainly maintained by e-mail; any copies of official documents required were, however, sent to the bank by letter mail. The new client had claimed that the assets originated from a real estate transaction and that he planned to use the money to make a long-term investment with the bank. He promised to send a cheque to be credited to the new account. In addition, he requested access to his account via e-banking.

A few days later a cheque for several hundred thousand US dollars arrived to be credited to the newly-opened account. Already shortly after receipt of this cheque, the new client inquired almost daily as to whether it had arrived and when he could expect his account to be credited with the amount. The bank referred to the usual practice applied when a new client cashes a cheque, whereby this could not be credited until the bank drawn upon had confirmed its validity and the amount had been credited from there. The client was indignant at this procedure and inquired repeatedly about the whereabouts of the money. Approximately one month after receipt, the total amount of the cheque was credited to the client. Despite the client's initially-expressed intention of making a long-term investment at the Swiss bank, within one month the total assets were withdrawn in several instalments via e-banking. Only then did the bank turn its attention to the client and, as he no longer reacted to the bank's letters and on the basis of his contradictory statements, filed a suspicious activity report.

The investigations made by MROS on the Internet (publicly accessible websites) rapidly gave rise to the suspicion that the documents submitted to the bank might be forgeries. Thus, for example, it was ascertained that there was in fact a person with the same name at the address indicated on the cheque but that the person in question

must have been elderly, having already qualified as a solicitor in the seventies. According to the copies of identity papers submitted, the bank client was born in 1978. MROS also became suspicious after checking the address given to the bank as it was apparently the address of a post-office box in a different federal state from the address of the cheque beneficiary. MROS thereupon amassed further information about this person, also obtaining his identity papers. It was thus confirmed that the documents submitted to the bank were indeed forgeries. The check had presumably been stolen and the swindlers had forged identity papers in the name of the beneficiary of the cheque.

The suspicious activity report was passed on to the law enforcement agencies, where criminal proceedings on charges of money laundering and other offences against a person unknown were instituted.

The following should also be mentioned: it is possible to find a great amount of information on publicly accessible Internet websites, in particular about persons and companies from the US. This information helps to verify information given by clients. Data protection is apparently handled much less strictly in the USA than in many European countries and in Switzerland. This goes so far that information, for example on the ownership of real estate, professional licences (solicitor, doctor, etc.) or even penal and civil law documentation is, depending on the federal state, publicly published and may be consulted.

3.5. *The bank monitors the activities of an external administrator*

An external administrator opened various accounts at one of the big banks in the names of his clients and concluded an agreement relative to the disposal of a part of the commissions charged in advance by the bank in return for investment transactions. The person in question also had accounts in his own name at the same bank. In the course of 2006 the external administrator instructed the bank to acquire, on behalf of one of his clients, some parts of a specific investment fund for a capital sum of EUR 1.6 million. He expressly asked for this purchase transaction to be effected by a broker for whom he furnished references. On completion of this transaction, the bank debited from the client's account a commission of 7%, corresponding to more than EUR 100 000, as requested by the broker.

Considering the high cost of the transaction, the bank monitored the external administrator's accounts and ascertained that, shortly after completion, an amount of EUR 75 000 had been paid by the broker back into the administrator's accounts.

In the bank's estimation, had the transaction been effected by its own intermediary, the commission would have been limited to 2%. It therefore judged that the client had

been cheated by the external administrator and had consequently suffered considerable damage as a result.

Thus the bank sent a report to MROS, invoking the violation of Article 158 SCC (unfair practices), freezing the assets of the external administrator.

The predicate offence being classed as a crime, MROS reported the case to the law enforcement agency of the canton in which the account had been opened.

3.6 His Grace's appeal

Following an internal revision carried out by the compliance service, a financial intermediary dealing with transfers of international funds reported to MROS a case of attempted fraud of the "Nigeria connection" type.

A person close to the religious world appeared at the counter of the financial intermediary in order to send a certain amount to a so-called "Monseigneur" - a bishop - in her community and domiciled in an African country.

The client had previously been contacted via the Internet by this "Monseigneur", who informed her of the drama he was currently undergoing, that is to say the deaths of his brother and his family after being caught in an ambush by the militiamen. The alleged bishop was in search of moral, spiritual and above all financial support. This first message was followed by a second, in which he explained, point by point, the procedure for transferring the money.

The believer, wishing to help her fellow-countryman, visited the counter of the financial intermediary in order to arrange the transfer of a certain sum. Following the warnings given by the employee of the financial institution (possible Nigerian fraud), she thought better of her plan and was able, thanks to God, to recover the whole sum as the money had not yet been transferred.

This case was closed because it concerns the victim of fraud. See also our comments in the MROS 2005 Annual Report, Chapter 4.1.

3.7. Where does the CHF 1 500 000 really come from?

A financial intermediary noticed that a client had paid over CHF 500 000 in cash into his account via the counter. The client also informed his financial intermediary that he

had further cash amounting to approximately CHF 1 million, which he had kept at home for the past few months and which he would also like to pay into his account in the near future. On the basis of this special situation, the financial intermediary asked the client for further information on the origin of the assets and their economic background. Thereupon the client explained that these assets represented money not declared to the tax administration.

As tax evasion is punishable in Switzerland but is not classified as a crime and thus not a predicate offence to money laundering, this incident, if the financial intermediary had believed the client's statements, would not have had to be reported. The financial intermediary, however, had well-founded doubts regarding the client's statements and could not rule out that these were defensive lies. He therefore made a report to MROS. The financial intermediary's doubts were based, on the one hand, on the fact that the client had paid in a very high amount in cash but could not, however, produce the relevant proof of withdrawal, which represents one of the typologies of money laundering. The client also gave contradictory information with regard to the origin of the money: on the one hand, he claimed to have withdrawn the money in cash from his account at an offshore bank; on the other hand, he stated that the assets had previously been deposited in various Swiss banks. He also claimed that the money formed part of his savings and came from successful stock market trading. In view of the client's relatively modest income and of the fact that it was not only possible to make profits on the stock market, however, the high amount of cash seemed rather disproportionate. Furthermore, the client's statement that he had stored the money at his home for a long period of time and now "wanted to see" it, was neither comprehensible nor logical as he had so far shown very clear signs of profit-orientated behaviour, having allegedly increased his money through investments and stock market deals. From an economic point of view, therefore, a direct bank transfer to his account via the reporting financial intermediary would have been much more advantageous.

The suspicious activity report was passed on by MROS to a cantonal law enforcement agency.

3.8. Predicate offence

In 2006 an external manager sent a report to MROS in 2006 on the basis of the following facts:

In his country of origin, the client of this financial intermediary operates an Internet platform for the purpose of betting, Internet casino and games such as poker. The client's relationship with the authorities in his home country is delicate. In fact, he has been accused of violating the regulations regarding the licence for this type of activity as well as of tax offences.

The profits obtained by the various companies founded for the operation of these activities amount to several tens of billions of dollars. As is customary in this milieu, the client repeatedly transferred the Internet operating centre of his activities to various countries in succession.

Recently, the country in which the major part of the activities was being carried out, suddenly changed its practice and declared the client's business activities to be illegal.

The fund manager, a financial intermediary as defined under the MLA, was informed of charges issued by the judicial authorities of this country against his client. Although comprehensive, these charges referred mainly to offences considered to be predicate offences in accordance with national legislation.

Considering the size of the client's account as well as his reputation, the financial intermediary decided, after much hesitation, to report this matter to the MROS. The information gathered on persons involved was not sufficient evidence against the client. Thus MROS' analysis was concentrated on the definition of a predicate offence.

Under Swiss legislation, the operation of games and betting on the Internet is illegal and violates both the Federal law on gaming clubs and the law on operating lotteries. Nevertheless, these activities are defined as offences and not as crimes. Consequently, the products of these activities would not be considered as money laundering. On these grounds MROS decided to close the case and informed the financial intermediary accordingly.

3.9. *Communication from a self-regulatory organisation (SRO)*

A public limited company applied for membership in an SRO and was admitted several months later. During an audit of the company's accounts per 31.12.2005, that is to say in May 2006, the SRO noticed serious irregularities in the statement. The structure of this company seemed to be particularly complicated with numerous companies and interests listed in the statement. The value of its assets was grossly overvalued and the financial situation of the company did not correspond to reality, which gave a false impression to investors. On the other hand, transactions resulting from the profit and loss account gave the impression of a system in which the losses accumulated had been compensated by successive funds of new investors. Finally, the SRO estimated that this company, which sent appeals to the public in the form of a prospectus, was deceiving its clients by means of false claims. It accordingly sent a report to MROS under Article 27 paragraph 4 MLA.

The investigations carried out by MROS in the domain of international mutual assistance resulted in the discovery that two company administrators had been the subject of rogatory committees due to facts linked to economic crime. On the other hand, these same persons had been sentenced for economic offences, and the databases accessible to the public revealed numerous negative aspects of their activities.

Based on these considerations, MROS reported the case to the cantonal law enforcement agencies. The preliminary investigation is still pending.

3.10. In-depth investigation of a client's profile resulting in a case of corruption

A bank had maintained relations with a foreign customer for over 10 years. Recently several significant payments, representing several hundreds of thousands of francs, were credited to the account, whereas previously the account had only registered modest movements. The bank undertook an investigation under Article 6 MLA. According to his statements, the client worked as a consultant for his government and was involved in the purchase of material destined for the air force. The orders for the majority of the payments had been placed by an aeronautic construction enterprise, and the payments corresponded to consultancy fees.

A subsequent audit carried out at the corresponding bank which had forwarded the payments revealed that the client was in fact one of the heads of military aviation in his country.

In view of the contradictory information, the bank decided to visit the client in his country of domicile. Relevant questioning by the financial intermediary had the effect of angering the client to the point that he threatened to lock up the financial intermediary if the bank did not immediately transfer the balance of his account to another institution abroad, which the financial intermediary refused to do. At that point in time the assets represented an amount exceeding CHF 10 million. An appropriate intervention enabled the financial intermediary nevertheless to return home safely.

Considering the false statements made by the client relative to his profession, his behaviour, the opening of an account in a foreign country as well as the very high amounts represented by his consultant's fees, the bank realised that it was faced with a body of evidence pointing to the possibility that the funds deposited could be the proceeds of corruption.

The report was passed on to law enforcement agencies.

3.11. *A dubious name for an account*

A financial intermediary opened an account for a client with the express remark (reference) requested by the client: "Escrow harbour".

This account was credited with numerous payments from abroad, in particular from the USA, the withdrawals mostly being made at cash points abroad. The payments represented amounts below CHF 1000.

Alerted by a Swift message from the bank of a principal requesting the return of a payment, the financial intermediary launched an in-depth investigation under Article 6 MLA. Warning notices on the client's activities were already circulating on the Internet.

It thus turned out that the client in question offered imaginary goods on an Internet website, in particular building machinery, asking prospective buyers to transfer down payments to his account. The purpose of the reference "Escrow harbour" was to convince prospective buyers that the account to which the down payments had been credited was an account administered by an escrow company, i.e. by definition a company aimed at supplying goods to the buyer once both parties had fulfilled their obligations arising from the sales contract.

On the basis of this information, the financial intermediary froze the account and undertook a review of the documents submitted on the opening of the account. It was revealed that all the documents presented at that time were forgeries and that the client was, obviously, not to be found.

Having gathered the evidence relative to a fraud, the financial intermediary reported the case to MROS. The investigations conducted enabled us to obtain a confirmation of the client's criminal activities. On these grounds, we sent on the report to the law enforcement agencies of the canton in which the account had been opened.

4. Judicial decisions

4.1. *Corruption of a foreign agent, case dismissed, confiscation*

Banking institutions reported to MROS (report under Article 9 MLA) various clients' accounts in relation to a major case of corruption which took place in a neighbouring country where it was widely reported in the press. One of the regional heads of the public administration which was responsible for an industrial installation project received in its accounts in Switzerland payments from companies that had tendered for a project in the hope that they would be favoured in the decision-making process.

The account had been opened in Switzerland in the name of a company which was set up as a kind of clearing agency whose task was the transfer of corrupt funds to various other agents in the foreign public administration that was in charge of the project. The payments were documented with false invoices and, over a period of approximately two years, over CHF 2 million had passed through this account.

Parallel to the communications from the banks, the judicial system in the country where the acts of corruption had taken place instituted criminal proceedings against the individuals responsible, making several requests to Switzerland for international mutual assistance with the intention of obtaining information and freezing the assets. The Swiss law enforcement agencies also instituted proceedings on the charge of money laundering.

Alerted by these operations, the head of the accounts department made several cash withdrawals and deposited the amounts in various other banking institutions, with the aim of interrupting the "paper trail". These sums were nevertheless sequestered by the Swiss judicial authorities.

After several years of proceedings, the foreign judicial authorities pronounced prison sentences on the persons responsible for corruption as well as the individuals who had benefited from the payments. They were charged with corruption, fraud, breach of trust, document counterfeiting and money laundering.

On completion of the various proceedings, the question arose regarding the fate of the assets sequestered in Switzerland, the balance of which amounted to approximately CHF 1 million.

Considering that the perpetrators of the offences had been sentenced abroad for the totality of the acts they were accused of (« res judicata ») and that there was no longer a reason – apart from the existence of the funds – to conduct proceedings in Switzerland, the Swiss law enforcement agencies pronounced a decision of case dismissed. On the other hand, the foreign court confirmed that it had no claim to the sequestered money so that the Swiss examining judge ordered the confiscation of the sequestered assets in favour of the fedpol

state. Article 59 SCC¹⁰ in fact allows confiscation even if no sentence has been pronounced in Switzerland.

This decision in a case with much media coverage shows that, even in the absence of a judgement on money laundering in Switzerland, the judicial authorities cooperate very closely with the foreign justice authorities, in particular in the sphere of international mutual assistance and in the confiscation of funds.

Numerous matters dealt with by MROS concerned cases in which the predicate offence was committed abroad, even though the funds were deposited in Switzerland. This explains to a great extent the relatively high number of cases dismissed or suspended by the Swiss law enforcement agencies on the basis of MROS reports (see statistics on decisions taken on the basis of MROS reports under Chapter 2.3.13).

4.2. *A frequently occurring case: attempted money laundering by means of securities stolen and submitted to a bank (Article 24 Money Laundering Ordinance MLO).*

A cantonal law enforcement agency pronounced a decision of case dismissed with regard to the submission of stolen securities, a situation which often occurs in practice.

A regional bank sent a report to MROS under Article 24 MLO (attempted money laundering). The bank had received from the representative of a contractual company various securities (bank bonds) to be placed in its bank deposit. The bank carried out a check on the validity of the securities at the issuing bank abroad and learnt that these bonds had been identified as having been stolen from their legitimate owner abroad.

Summoned by the bank, the representative of the contractual company which was the holder of the deposit explained that these securities had been submitted to him by business partners and that his role was restricted to depositing them at the bank.

The representative's statements did not convince the bank, so that it decided to report the case to MROS. Following an analysis of the case, it was decided to report the matter to the office of the public prosecutor of the canton in which the account had been opened.

The judicial authority instituted criminal proceedings on the charges of receiving stolen goods and possible money laundering. It was decided to search the premises of the contractual company that was the holder of the securities deposited. On this occasion they found other securities from the same issuing bank making up part of the batch stolen from its legitimate owner abroad.

¹⁰ New article number as of 01.01.2007: art. 70 SSC

The foreign law enforcement authorities confirmed that the victim of the theft was a pensioner, whereby unknown individuals pretending to be relatives had persuaded him to open his safe.

As for the circumstances in which these securities arrived in Switzerland, the preliminary inquiry revealed that it was a Swiss businessman who was alleged to have received them in lieu of payment for the work carried out in a consortium, without it being possible to identify the payer.

The various hearings with the representative of the contractual company were not able to show that he knew of or should have presumed that the securities had been stolen, so that the offence of receiving stolen property, and more conclusively that of money laundering, could not be upheld. This matter was therefore closed with a decision of case dismissed.

Even if this case did not through lack of evidence conclude in a sentence, the cooperation with the bank in this particular case made it possible to withdraw the stolen securities from circulation and to restore them to their legitimate owner.

4.3. *Lack of punishability of the predicate offence abroad and in Switzerland, case dismissed*

MROS received a report from a bank under Article 9 MLA on the basis of the following facts: The financial director of a university in a South American country had taken advantage of his position to arrange the payment by his employer of several fictitious invoices to accounts at various European banks. He had also drawn cheques on the university accounts, crediting the value to his private accounts abroad. The assets thus gathered together were subsequently regrouped in two banking institutions in Switzerland in succession.

The local representation of the Swiss bank, through the intermediary of which the account had been opened, learnt of these facts in the press and alerted the parent company in Switzerland, which activated the report.

Following the customary investigations as well as a request to our counterparts in the country concerned, MROS sent a report to the Attorney General's Office under Article 340^{bis} SCC¹¹ in view of the fact that the punishable acts had, to a large extent, been committed abroad.

The prosecutor pronounced an order for the sequestration of the assets and instituted criminal proceedings on the charges of breach of trust, document counterfeiting and money laundering. The prosecutor then contacted the foreign law enforcement authorities

¹¹ New article number as of 01.01.2007: art. 337 SSC

via international mutual assistance. After having received all the information from abroad, he nevertheless decided to dismiss the case for the reasons explained below.

Although the competence of the Swiss law enforcement agencies was affirmed, the information furnished by the foreign justice authorities revealed that they had likewise instituted criminal proceedings on the charges of breach of trust and document counterfeiting. These proceedings had meanwhile been completed following the commitment of the accused to reimburse his employer by means of the funds deposited in Switzerland. An agreement in this sense was in fact forwarded to the Attorney General's Office, and the transfers carried out.

According to the principle of "ne bis in idem", in consideration of the fact that there was currently no requirement of punishability of the predicate offence under foreign law (Article 305^{bis} paragraph 3 SCC) and based on Article 53 SCC (compensation for damage) – which was not in force at the moment of the acts – the federal prosecutor concluded proceedings by dismissing the case.

This decision illustrates the procedures of international mutual assistance and also shows the effectiveness of the fight against money laundering, even if the preliminary proceedings ended in the case being dismissed.

5. From the MROS Office

5.1. *Dubious job offers for financial agents*

“Employees wanted urgently!” or “Financial manager (m/f) to work freelance”: thus or similar read the titles of e-mails landing in their thousands in Swiss mailboxes in recent months. Various fictitious enterprises are flooding the electronic mailboxes in Switzerland via “spam¹²” mails, all with virtually the same contents: the enterprises offer a “job” as a courier or financial agent, which essentially consists of placing one’s own bank or postal account at the disposal of others in order to carry out financial transactions for the “employer”. The individuals concealed behind the façade of these enterprises initially transfer a rather modest amount to the account of the “financial agent”. If the initial transactions run smoothly, higher and higher amounts are transferred. Up to ten per cent of these amounts may be retained by the courier or financial agent as his commission; he then has to transfer the balance via a “money transmitter¹³” to a third country. The money paid into the accounts of the newly-engaged “financial agents” comes from the accounts of persons who are victims of “phishing¹⁴” (mostly abroad). The perpetrators are hereby taking advantage of the fact that the prosecution of crimes with an international aspect take longer to investigate than national cases. This is because information frequently has to be obtained via international mutual assistance, which can sometimes take months. Since the money is at first transferred to the account of a blameless citizen (“financial agent”), the transaction involving a few thousand francs does not immediately arouse any suspicion on the part of the financial intermediary.

“Financial agents” who accept a job offer of this type may be prosecuted under criminal law on charges of money laundering, because they are helping to cover traces of money originating from irregular activities¹⁵ (for example, “phishing”).

¹² Spam is the collective term for unsolicited advertising e-mails or chain letters in e-mail communication; further information under <http://www.melani.admin.ch/gefahren-schutz/schutz/00025/index.html?lang=de>

¹³ Provider of cash payment services

¹⁴ By means of phishing, swindlers attempt to obtain confidential data from unsuspecting Internet users. This may, for example, be the account details of online auction bidders or access data for Internet banking. The swindlers take advantage of the gullibility and helpfulness of their victims by sending them, for example, e-mails with forged senders’ addresses. Further information under: <http://www.melani.admin.ch/gefahren-schutz/schutz/00022/index.html?lang=de>

¹⁵ Guilty of money laundering under Article 305^{bis} SCC is “anyone who commits an act designed to obstruct the establishment of provenance, the discovery or the confiscation of assets which he knows, or must assume, to be derived from a crime.”

5.2. Revision of the Money Laundering Ordinance (MLO; SR 955.23)

The Money Laundering Ordinance regulates in detail the work of MROS, that is to say the processing of reports from the financial sector and access to the various information systems operated by the police and justice authorities at government level. The Money Laundering Ordinance entered into force in October 2004 and was limited until the end of 2006.

With its decision of 1 November 2006, the Federal Council extended the validity of the ordinance to the end of 2008 and updated its contents by adapting the regulations on access to the latest level of the information systems. This adjustment was urgently needed in connection with the introduction of the new central migration information system (ZEMIS) and did not materially alter MROS's access rights.

The new limitation of the ordinance to the end of 2008 is necessary until the foreseen Federal Act on Police Information Systems within the Confederation (PISA)¹⁶ enters into force and at the same time, within the scope of amendments to prevailing law, Article 35^{bis} MLA¹⁷ enters into force. This new article will formally regulate MROS' access to the various information systems of the police and justice authorities. The prevailing legal basis for MROS's access rights is provided by Article 5 MLO. In the 2002 report on MROS activities to the Federal Council, reference was made to the fact that this legal basis did not suffice at ordinance level and that a formal law was required. With the decision of 9 April 2002, the Federal Department of Justice and Police was instructed to produce a corresponding draft law. The draft of Article 35^{bis} MLA is the result of this mandate.

5.3. Revision of the Money Laundering Act

The task of the inter-departmental working group IDA-FATF¹⁸ of drawing up legal adaptations for the implementation of the revised recommendations of the Financial Action Task Force against Money Laundering (GAFI / FATF), which were adopted in 2004, led to several significant decisions being made in the reporting year 2006. On 29 September 2006 the Federal Council defined the further steps to be taken in the implementation of the revised FATF recommendations on the fight against money

¹⁶ PISA is aimed at summarising and harmonising the legal bases of all police information systems within the government. It was widely welcomed within the framework of the consultation procedure in 2005 and will shortly be dealt with in Parliament.

¹⁷ Message regarding the Federal Act on Police Information Systems; BBI No. 24 dated 20 June 2006, Chapter 2.3.5

¹⁸ We refer to the MROS 2005 Annual Report under Chapter 4.2.

laundering and the financing of terrorism. It instructed the Federal Department of Finance to submit a message by mid-2007. In contrast to the consultation procedure draft, the message is to be limited to essential points. The aim of the GAFI draft is the made-to-measure adaptation of Swiss money laundering legislation to new challenges in the sphere of international crime. The new draft is also to raise the conformity of Swiss legislation to the relevant international standards.

According to the Federal Council decision, the following points from the consultation procedure draft are to be retained:

- Creation of new predicate offences in the sphere of money laundering for gang smuggling, counterfeiting goods and product piracy as well as insider offences and market rigging;
- Extension of the Money Laundering Act (MLA) to cover the financing of terrorism (explicit formulation in MLA);
- Introduction of a reporting obligation in the non-conclusion of a business relationship;
- Release of the financial intermediary from the obligation to observe due diligence in amounts of low value (clause on petty cases);
- Relaxation of the ban on information between financial intermediaries in certain cases, for example when a financial intermediary is not able to freeze the assets concerned when reporting to MROS;
- Clarification in the Money Laundering Act that reports pursuant to the right to report (Article 305^{ter} paragraph 2 SCC) do not entail a freeze on assets; in addition, verification of whether exemption from punishment and liability should also be extended to the self-regulatory organisations (SRO);
- Improvement of legal protection of the reporting financial intermediary from reprisals in reports on cases of suspicion of money laundering;

In the revised draft, then, some new measures are to be incorporated on the basis of the results of the FATF evaluation reports on member countries:

- Cooperation of the customs authorities in the fight against money laundering and terrorist financing through the introduction of an information system, for cross-border cash transports above a threshold value of CHF 25 000 (implementation of SR IX);
- Introduction of an obligation for the financial intermediaries to identify the representatives or persons holding a power of attorney on behalf of legal persons;

- Introduction of an obligation for the financial intermediary to identify the purpose and planned nature of the business relationship sought by the client;
- Unlimited extension of the ban on information of the financial intermediary towards his client on the reports sent to MROS, provided the report was not passed on to the law enforcement agencies;
- Reports submitted under the right to report are in future only to be addressed to MROS (hitherto the financial intermediaries have been able to choose between contacting the law enforcement agencies or MROS);

As these measures were not included in the consultation procedure draft, the Federal Department of Finance will hold another hearing on this matter at the beginning of 2007.

The Federal Council does not intend to deal with a number of proposals from the consultation procedure draft within the scope of this draft. This includes, in particular, the misrepresentation of cash payments for certain trading activities under the Money Laundering Act. Further steps with regard to bearer shares will be laid down by the Federal Council within the framework of the foreseen reform of company law. Within the scope of this draft, the Federal Council proposed the abolition of bearer shares.

5.4. *Council of Europe Convention No. 198 on Money Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism*

In the 2005 Annual Report MROS reported on this important set of agreements which for the first time constitutes a binding instrument of international law and includes detailed guidelines on FIUs. We announced that the Federal Council was likely to make a decision on further procedures concerning this draft in summer 2006. However, the Federal Department of Finance's draft on the implementation of the 40 revised FATF recommendations (see remarks under Chapter 4.3 above) was delayed. Thus Convention No. 198 could not yet be signed and was likewise delayed. The Federal Council is therefore probably unlikely to decide on further procedures before the second half of 2007.

5.5. Implementation of UN Resolutions 1267 and 1373 in Switzerland

5.5.1 UN Resolution 1267

The worldwide fight against terrorist financing is based on several UN Security Council resolutions¹⁹. In October 1999 the UN Security Council had already imposed economic sanctions (incl. financial sanctions) against the Taliban regime in Afghanistan with Resolution 1267. Subsequently, the measures were modified several times by follow-up resolutions. Today the sanctions are no longer directed against the Taliban as a group or against Afghanistan but against certain natural persons, legal entities and groups linked to Osama bin Laden and the “Al-Qaida” group or the Taliban. Through the decision of the UN Security Council Sanctions Committee (today the “Al-Qaida and Taliban Sanctions Committee”), which was created by Resolution 1267 (1999), these natural persons and legal entities are indicated on a list of names. The UN Member States have undertaken steps to enforce sanctions against these natural persons and legal entities.

In Switzerland these sanctions have been implemented as follows:

a) Economic sanctions under the Embargo Act²⁰ :

Since 1 January 2003 the Federal Act on the Implementation of International Sanctions (Embargo Act) has formed the legal basis for the implementation of Switzerland’s sanctions. Under Article 2 Embargo Act, the Federal Council is responsible for issuing coercive measures²¹ in order to enforce sanctions decided on by the United Nations Organisation. By means of the Ordinance on Measures against persons, organisations and groups with links to Osama bin Laden, Al-Qaida or the Taliban²², the Federal Council imposes economic sanctions against persons and organisations which have been placed on a list of names under Resolution 1267 through the decision of the Sanctions Committee of the UN Security Council. The economic sanctions consist of freezing assets and economic resources which are in the possession or under the control of individuals, companies, groups or organisations on the list. At the same time these assets are to be reported to SECO, the State Secretariat for Economic Affairs within the Federal Department of Economic Affairs. The assets remain frozen until the relevant country responsible for entering the names of persons, groups or organisations removes the name in question from the list.

b) Obligation to report in accordance with the Money Laundering Act²³

¹⁹ <http://www.un.org/docs/sc/>

²⁰ Federal Act on the Implementation of International Sanctions (Embargo Act; SR 946.231)

²¹ Before the entry into force of the Embargo Act, the sanctions were directly based on the Federal Constitution Article 184 paragraph 3 ab (SR 101).

²² SR 946.203

²³ SR 955.0

In accordance with the prevailing practice of the Swiss money laundering supervisory authorities²⁴, business relationships with persons and organisations on such lists are subject to a well-founded suspicion under Article 9 MLA and require the financial intermediary to report such business relationships without delay to MROS, at the same time freezing the assets under Article 10 MLA. It must explicitly be mentioned thereby that a report made to SECO (see above under subparagraph a) does not rule out a report to MROS but that this must be made parallel to the former. MROS analyses the suspicious activity report and decides whether to pass it on to the law enforcement agencies. If the report is not passed on to a law enforcement agency, the case is dismissed or criminal proceedings are dropped by the latter and the funds are released again. On the basis of this parallel reporting procedure to both MROS and to SECO, it can occur that the same reported assets, on the one hand, based on the Embargo Act remain frozen (report to SECO) and, on the other hand, that the assets in report proceedings under the Money Laundering Act (report to MROS) are released again. We must therefore emphasise that these are two separate procedures.

5.5.2 UNO Resolution 1373

On 28 September 2001 the UN Security Council also issued a comprehensive resolution on combating terrorism – Resolution 1373 – which, amongst other things, requires certain measures including the freezing of assets to be applied against persons and groups that carry out terrorist activities or have links to terrorism. This resolution expressly emphasises the importance of international cooperation in the fight against terrorism.

Based on their previous knowledge, certain states compile their own lists of persons and groups with links to terrorist activities and take measures against them, analogously to the corresponding UN resolutions. These measures include, in particular, the freezing of assets. Some of these lists are sent to other countries with the request to adopt them and apply the same sanctions. In Switzerland a practice has evolved in dealing with such lists, which roughly divides them into two types:

a) Type 1 lists / Obligation to report to SECO and to MROS:

Provided names on these country lists correspond to the names placed on the lists by the Al-Qaida and Taliban Sanctions Committee (Resolution 1267), the financial intermediary, should he have business relations with such persons, has to send a report to SECO and also to MROS, at the same time freezing the assets (cf. procedure explained under Chapter 5.5.1. above).

b) Type 2 lists / greater due diligence and possible obligation to report to MROS:

²⁴ Anti-Money Laundering Control Authority, Federal Banking Commission, Federal Gaming Board, Federal Office of Private Insurance

If the names on the country lists indicate links to terrorist activities but cannot be linked directly to Osama bin Laden, Al-Qaida or the Taliban, the financial intermediaries are required to place such a business connection under greater due diligence. If, based on an overall analysis of the business connection under Article 9 MLA, the financial intermediary has a well-founded suspicion, he is required to send a suspicious activity report without delay to MROS, at the same time freezing the assets.

6. International scene

6.1. *Memorandum of Understanding (MOU)*

In the 2006 reporting year, MROS did not conclude any new Memorandum of Understanding (MOU). MROS itself does not need an MOU in order to exchange information with its counterparts abroad. The Swiss Money Laundering Act²⁵ already foresees in Article 32 the possibility of cooperating with foreign reporting offices, irrespective of their status as administrative or law enforcement authorities²⁶. This cooperation is further defined in Articles 11 and 13 MLO²⁷. Corresponding to MROS' business practice, so-called MOUs are to be concluded only with those FIUs²⁸ which require this on the basis of their own national legislation for an exchange of information. Of the 100 FIUs²⁹ which were members of the Egmont Group at the end of 2006, 14 currently need an MOU or even a treaty for the exchange of information with their counterparts abroad. According to the working paper "Best Practices for the Exchange of Information between Financial Intelligence Units"³⁰, the Egmont Group is the optimal form of cooperation because it does not require any special agreements or treaties to enable it to exchange information with reporting offices abroad. Subparagraph 1 under the heading "Legal" reads as follows:

"The Egmont principle of free exchange of information at FIU-level should be possible on the basis of reciprocity, including spontaneous exchange."

MROS fulfils these conditions on the basis of its legislation.

6.2. *Egmont Gruppe*

6.2.1 No new members

At its 2006 plenary session, the Egmont Group did not admit any new members for the first time in a while. This fact is certainly also due to the new definition of an FIU by

²⁵ Federal Act of 10th October 1997 on Money Laundering (MLA, SR 955.0)

²⁶ Police and Justice

²⁷ Money Laundering Ordinance; SR 955.23

²⁸ Financial Intelligence Units (foreign reporting offices)

²⁹ Member lists may be consulted under: http://www.egmontgroup.org/list_of_fius.pdf

³⁰ <http://www.egmontgroup.org/bestpractices.pdf>

the Egmont Group³¹, which has been in force since 2004 and whose implementation, in particular of the "Countering of Terrorist Financing Interpretative Note"³², is still causing difficulties. The "Interpretative Note" requires that the FIU is not only the national central authority who receives suspicious activity reports in connection with terrorist financing, analyses and passes the reports on to the competent law enforcement agency, but that the following criteria must also be fulfilled:

- for alleged cases of terrorist financing, a mandatory reporting obligation must be explicitly incorporated into national legislation by means of a formal law (not only "de facto");
- the FIU must have the competence and possibility of exchanging information with other reporting offices in the sphere of terrorist financing.

At the end of 2006 the Egmont Group consisted of 100 members³³, one FIU less than in the previous year. This is due to the fact that, on the basis of amendments to its national law, one member of the Egmont Group lost the competence to stand as the FIU of its country and that this function was transferred to a new organisation within the same jurisdiction. For the Egmont Group this means that the originally admitted FIU was dissolved and that its membership thus expired. The new FIU of the relevant country now has to address a new application to the Egmont Group so that its legitimacy as a member of the Egmont group may be verified. This clearly shows that the Egmont Group regularly checks the compliance with membership requirements and that if these conditions are not met it takes the corresponding measures.

6.2.2 Restructuring process of the Egmont Group

The Egmont Group was established in 1995 and has since then grown into a substantial body of 100 FIUs. Its structure as an informal working group has today reached the limits of efficiency, both from an organisational and financial point of view. Accordingly, efforts have been underway since 2004 to restructure the Egmont Group. The working group "Transition Sub-Committee" (2005) and the follow-up working group "Implementation Committee" (2006), in both of which MROS is represented, have now elaborated concrete recommendations concerning the legal character and regulatory contents of a multilateral cooperation agreement. In the meantime, one important result of these efforts was the approval by the "Heads of FIU" of the establishment of a permanent secretariat as well as a funding model. The corresponding national admis-

³¹ See MROS 2004 Annual Report under Chapter 6.1.2.

(http://www.fedpol.admin.ch/etc/medialib/data/kriminalitaet/geldwaescherei/jahresberichte.Par.0007.File.tmp/MROS-2004-D_7.pdf)

³² www.egmontgroup.org under "Egmont Documents"

³³ http://www.egmontgroup.org/list_of_fius.pdf

sion procedures for the new structure of the Egmont Group, however, are still outstanding.

6.2.3 Recruitment of a full-time "Executive Secretary"

As an important follow-up process to the establishment of a permanent secretariat, to be based in Toronto, Canada, the corresponding job advertisements were published at the end of 2006³⁴. The most important post is that of the "Executive Secretary", who will be responsible for the administrative and organisational support of the "Heads of FIU", of the "Egmont Committee", and also of all the Egmont Group's working groups and their activities.

6.3. GAFI/FATF

This chapter in the MROS 2006 Annual Report concerning FATF will be restricted to an account of the activities carried out in 2006 by the working group on typologies; among the group is also a MROS representative. As foreseen by the new procedure recently introduced within FATF, the various projects are first approved at the level of the working group, subsequently by the plenum and then delegated to the working group on money laundering and the financing of terrorism. If necessary, the latter then proposes to the plenum the adoption of new norms (recommendations, interpretative norms, best practices). Some of these projects may be consulted on the FATF website: www.fatf-gafi.org.

Misuse of corporate vehicles (including trust and company service activity)

This report examines the means which could be applied to ensure the greater transparency of corporate vehicles, including trusts. It lists a large number of instruments which can be summed up in two categories: improvement of national instruments on the registers on which the companies are registered (indications regarding the beneficial owners, in particular) and, on the other hand, improvement of cooperation with the intermediaries (service providers) who establish or operate these corporate vehicles. The position of the Swiss delegation is that our commercial register already today provides the necessary information and that the financial intermediaries administering companies – in particular, domiciliary companies – already fulfil the obligation of due

³⁴ Job advertisements were placed on the Egmont Group homepage (December 2006) and in the magazine "The Economist" (January 2007)

diligence in relation to the identification of the beneficial owner. Finally, we are opposed to the introduction of new norms.

New payment methods

Constructed in the form of an inventory of new payment methods, this report represents a most useful and comprehensive contribution and may be consulted on the FATF website. We cannot go into this catalogue in detail here. The working group responsible for the report considers that the norms currently in force should not be supplemented.

Real estate

Inspired by recent real estate cases which shook Andalusia, this report emphasises the role of various actors in the real estate sector and is aimed, in particular, at the legal and accounting professions responsible for the establishment of company structures. This report has not yet been approved by the plenum.

ML through MTIC "Carousel fraud"

Proposed by the English delegation, this topic tackles the question of carousel fraud (goods marketed outside VAT or fictitious companies which have obtained VAT reimbursements that were not deducted). This is a problem that is essentially limited to EU countries, although it is not insignificant for Switzerland (counterfeit products deposited in Switzerland).

This report will soon be dealt with by the Working Group on Money Laundering and Terrorist Financing. The main conclusions point in the direction of reinforcing international mutual assistance or administrative measures as well as establishing a connection to the bodies involved: the law enforcement agencies, the tax administration and the FIUs.

Trade-based money laundering

In certain circumstances, business practices may serve criminal interests if they are used contrary to their purpose. The working group examining this subject mentions, in particular, forged invoices, over- and underbilling, over- or underevaluation of goods, practices leading to unfair advantages or to considerable losses. This topic mainly concerns the fiscal and customs authorities as well as exchange instruments between these authorities at national and international level. This report must still be subjected to examination by the working group on money laundering and the financing of terrorism in order to define possible supplementary norms.

Terrorist financing typologies

Discussions in this working group are still at the brainstorming stage, although it is true that the financing of terrorism is a phenomenon in itself, which should be distinguished

guished from money laundering as far as the origin of the money (mostly legal) is concerned and, what is more, the often absurdly low sums involved. The law enforcement agencies and the financial intermediaries often lack useful markers, which is why this working group will certainly be hard put to define typologies that are useful in the real world. Nevertheless, their work is continuing and a progress report should be submitted in the course of summer 2007.

7. Internet Links

7.1. Switzerland

7.1.1 Money Laundering Reporting Office

http://www.fedpol.admin.ch	Federal Office of Police / MROS
http://www.fedpol.admin.ch/fedpol/en/home/themen/kriminalitaet/geldwaescherei/meldeformular.html	STR form MROS

7.1.2 Supervising authorities

http://www.ebk.admin.ch/	Federal Banking Commission
http://www.bpv.admin.ch/	Federal Office of Private Insurance
http://www.gwg.admin.ch/	Anti-Money Laundering Control Authority
http://www.esbk.admin.ch/	Federal Gaming Commission

7.1.3 Self-regulating organisations

http://www.arif.ch/	Association Romande des Intermediaries Financieres (ARIF)
http://www.oadfct.ch/	OAD-Fiduciari del Cantone Ticino (FCT)
http://www.oarg.ch/	Organisme d'Autorégulation du Groupement Suisse des Conseils en Gestion Indépendants ("GSCGI") et du Groupement Patronal Corporatif des Gérants de Fortune de Genève ("GPCGFG") (OAR-G)
http://www.polyreg.ch/	PolyReg
http://www.swisslawyers.com/	SRO-Schweizerischer Anwaltsverband (SAV)
http://www.leasingverband.ch/	SRO- Schweizerischer Leasingverband (SLV)
http://www.stv-usf.ch/	SRO-Schweizerischer Treuhänder-Verband (STV)
http://www.vsv-asq.ch/htm/htm_d/	SRO-Verband Schweizerischer Vermögensverwalter (VSV)
http://www.sro-vqf.ch/	Verein zur Qualitätssicherung im Bereich der Finanzdienstleistungen (VQF)

7.1.4 National associations and organisations

http://www.swissbanking.org	Swiss Bankers Association
http://www.swissprivatebankers.com	Swiss Private Bankers Association

7.1.5 Others

http://www.ezv.admin.ch/	Federal Customs Administration
http://www.snb.ch	Swiss National Bank
http://www.ba.admin.ch	Office of the Attorney General of Switzerland
http://www.seco.admin.ch/themen/aussenwirtschaft/sanktionen/index.html?lang=en	State Secretariat for Economic Affairs SECO / economic sanctions based on the Embargo Act

7.2. International

7.2.1 Foreign reporting offices

http://www.fincen.gov/	Financial Crimes Enforcement Network/USA
http://www.ncis.co.uk	National Criminal Intelligence Service/United Kingdom
http://www.austrac.gov.au	Australian Transaction Reports and Analysis Centre
http://www.ctif-cfi.be	Cel voor Financiële Informatieverwerking / Belgium
http://www.justitie.nl/mot	Meldpunt Ongebruikelijke Transacties Ministerie van Justitie (MOT) / Netherlands
http://www.fintrac.gc.ca/	Financial Transactions and Reports Analysis Centre of Canada

7.2.2 International organisations

http://www.fatf-gafi.org	Financial Action Task Force on Money Laundering
http://www.unodc.org/	United Nations Office for Drug Control and Crime Prevention
http://www.egmontgroup.org/	Egmont-Group
http://www.cfatf.org	Caribbean Financial Action Task Force

7.3. Other Links

http://www.europa.eu.int	European Union
http://www.coe.int	European Council
http://www.ecb.int	European Central Bank
http://www.worldbank.org	World Bank
http://www.bka.de	Bundeskriminalamt Wiesbaden, Germany
http://www.fbi.gov	Federal Bureau of Investigation, USA
http://www.interpol.int	Interpol
http://www.europol.net	Europol
http://www.bis.org	Bank for International Settlements
http://www.wolfsberg-principles.com	Wolfsberg Group

http://www.swisspolice.ch	Conference of the Cantonal Police Commanders of Switzerland
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REPORT 2006

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