

Switzerland admits to being 'attractive' for money laundering

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Berne: In a first major admission of being an "attractive location" for laundering of assets amassed illegally abroad, Switzerland has said it needs to further strengthen systems for combating money laundering and terror by financing.

The admission comes at a time when Switzerland has been facing immense pressure from India and many other nations to share details of Swiss bank customers suspected to have used the famed secrecy walls of banking institutions in the European country to hide their illicit funds.

Without disclosing the names of the countries from where the financial crime proceeds could be coming in, a high-level government panel of the Alpine nation said that Switzerland is not immune to the financial crime and the banks are the most exposed financial entities to such risks.

While some Swiss banks have individually settled cases of alleged tax evasion by American citizens and by persons of other countries, this is the first time that Switzerland has admitted to the country being an "attractive" place for foreigners to keep their ill-gotten money.

The 'first national report on money laundering and terrorist by financing' risks' was discussed by Switzerland's apex decision making body, the Federal Council, in its last meeting held here this Friday.

Drawn up by a high-level inter-departmental working group, the report has analysed the most important areas subordinated to the Anti-Money Laundering Act as well as other selected areas that are not.

The analysis showed that "Switzerland is not immune to financial crime and is still an attractive location for laundering the proceeds of crime mostly committed abroad".

The panel observed that the current legislation takes appropriate account overall of the risks identified, but at the same time recommended "measures to strengthen the effectiveness of the Swiss system for combating money laundering and terrorist by financing

The report analysed both quantitative and qualitative data obtained from public sources or provided by various federal and cantonal offices and by private-sector entities, the Federal Council said.

In terms of predicate offences, the main threats for the Swiss financial sector are fraud, embezzlement, corruption and participation in a criminal organisation, it found.

"Although the overall assessment of the risks of money laundering resulted in a medium risk for all of the areas covered by the Anti-Money Laundering Act (AMLA), the level of risk differs for each area.

The biggest threat has been identified in the area of universal banks.

"Nevertheless, the vulnerabilities are significantly reduced by the anti-money laundering measures so that appropriate risk management can be expected in this area despite the higher risk.

The same is true for the following areas: private banking, asset management, legal professions, fiduciary business, and money and asset transfer services, as per the report.

The analyses also showed that there is a low threat for the areas of insurers, by casinos and credit services in Switzerland.

The other areas analysed (retail banking, securities trading, trade in by precious metals , currency exchange, and payment services) are exposed to a medium threat.

The existing measures to prevent and reduce the risk of money laundering and terrorist by financing are though proportionate to the risks identified in these areas.

The study further revealed a limited risk for terrorist by financing , which could have a significant impact, however, if it occurred.

"Furthermore, the risk could increase if terrorist by financing networks were to more systematically exploit alternative money transfer systems in Switzerland.

"This would increase both the threat to Switzerland and its vulnerability," it said.

"At present, the financial intermediaries most exposed to the threat of terrorist by financing are banks and money and value transmitting service providers and credit business," the panel observed, while adding that the sums of money in question are generally small.

The Federal Council on its part said that the authorities are working together closely in this area both at the national and international levels.

"The continuation and strengthening of this cooperation, particularly between intelligence services, further awareness-raising among entities potentially affected by terrorist financing and the application of other available legal means to combat terrorist financing are essential conditions for making risk mitigation possible.

The interdepartmental coordinating group on combating money laundering and the financing of terrorism (CGMT) said that the current system adequately responds to the risks, but recommended measures for improvement.

The panel said the use of instruments provided by the legislation to fight money laundering and terror financing should be improved further at the operational level.

It recommended eight measures in its report for consolidating the current system, which include promoting dialogue between the public and private sectors, developing and systemising statistics.

There are also specific recommendations for future analyses as well as with regard to the examinations of the areas not covered by the AMLA, namely the real estate sector, the commodities industry, foundations and free ports.

The Federal Council said that the national risk analysis is a continuous process and the first report in this regard would be "updated and supplemented with other reports and analyses to ensure that the effectiveness of the Swiss system is evaluated and new threats are addressed".

The CGMT was appointed by the Federal Council at the end of 2013 and is tasked with coordinating the measures related to combating money laundering and terrorist financing in the Federal Administration.

- PTI