

# First national report on money laundering and terrorist financing risks

**Bern, 19.06.2015 - During its meeting today, the Federal Council acknowledged the first report on the national assessment of the money laundering and terrorist financing risks in Switzerland. Drawn up by an interdepartmental working group, the report also contains specific analyses of the most important areas subordinated to the Anti-Money Laundering Act as well as other selected areas that are not. It shows that Switzerland is not immune to financial crime and is still an attractive location for laundering the proceeds of crime mostly committed abroad. The report concludes that the current legislation takes appropriate account overall of the risks identified. At the same time, it recommends measures to strengthen the effectiveness of the Swiss system for combating money laundering and terrorist financing.**

The analyses in the report are based on both quantitative and qualitative data obtained from public sources or provided by various federal and cantonal offices and by private-sector entities. It is clear from the report that Switzerland is not immune to financial crime and is still an attractive location for the laundering of assets derived from crime that is mostly committed abroad. In terms of predicate offences, the main threats for the Swiss financial sector are fraud, embezzlement, corruption and participation in a criminal organisation.

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.

The analyses showed that there is a low threat for the areas of insurers, casinos and credit services in Switzerland. The other areas analysed (retail banking, securities trading, trade in 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 financing are though proportionate to the risks identified.

The analyses also revealed a limited risk for terrorist financing, which could have a significant impact, however, if it occurred. Furthermore, the risk could increase if terrorist financing networks were to more systematically exploit alternative money transfer systems in Switzerland. This would increase both the threat to Switzerland and its vulnerability.

At present, the financial intermediaries most exposed to the threat of terrorist financing are banks and money and value transmitting service providers and credit business. The sums of money in question are generally small. 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.

In addition, six areas not directly subordinated to the AMLA were examined. The interdepartmental coordinating group on combating money laundering and the financing of terrorism (CGMT) concluded that the current system adequately responds to the risks. Nevertheless, it recommends measures for improvement.

The CGMT is of the opinion that the legislation for the areas covered by the AMLA, which was completed with the Federal Act of 12 December 2014 for Implementing the 2012 revised Financial Action Task Force (FATF) Recommendations, takes appropriate account overall of the current money laundering and terrorist financing risks. It also believes that the use of the instruments provided by the legislation should be improved further at the operational

level. Consequently, the CGMT 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 and 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 national risk analysis is a continuous process. The report is to 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

The interdepartmental coordinating group on combating money laundering and the financing of terrorism (CGMT) was appointed by the Federal Council at the end of 2013. The CGMT is a permanent body headed by the Deputy State Secretary for International Financial Matters (Federal Department of Finance) and comprised of members of management in the following offices: the Federal Tax Administration (Federal Department of Finance); fedpol, the Federal Office of Justice, the Federal Gaming Board (Federal Department of Justice and Police), the Federal Intelligence Service (Federal Department of Defence, Civil Protection and Sport); the Directorate of Public International Law, Sectoral Foreign Policy Division (Federal Department of Foreign Affairs); FINMA, and the Office of the Attorney General of Switzerland.

The CGMT is tasked with coordinating the measures related to combating money laundering and terrorist financing in the Federal Administration. In this context, it must ensure continuous risk assessment in particular, with the objective of identifying new money laundering and terrorist financing threats and recommending possible measures to mitigate them. The CGMT's report also implements a FATF recommendation, which requires its members to perform risk analyses so that the measures for combating money laundering and terrorist financing can be better adjusted to the actual risks.