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1. Introduction

From a qualitative standpoint, 2007 was one of the best reporting years. Not only was there a significant increase in the number of suspicious activity reports SARs (+28% compared to 2006), the quality of these SARs was high. This resulted in a correspondingly high proportion of SARs (79%) being forwarded to law enforcement agencies. The increase in the number of SARs submitted by the banking sector (+37%) almost certainly contributed to the overall increase.

Article 305ter, paragraph 2 of the Swiss Criminal Code (SCC) gives financial intermediaries the right to submit SARs to Swiss law enforcement agencies or legally designated Swiss federal authorities. Such SARs are referred to as “voluntary SARs” to draw a distinction between these SARs and “mandatory SARs”, which are submitted by virtue of Article 9 of the Federal Act of 10 October 1997 on Combating Money Laundering in the Financial Sector (Anti-Money Laundering Act AMLA).

Compared to the previous reporting year, there was a tremendous surge (+110%) in the number of voluntary SARs that banks submitted to MROS in 2007, most likely due to the fact that such SARs are, to an increasing extent, submitted to MROS rather than to law enforcement agencies directly. Article 305ter paragraph 2 SCC still gives financial intermediaries the choice between these two options. While voluntary SARs were presumably also submitted in the past, it is only now that MROS is able to include them in its statistics.

It is always surprising to note the lack of standardised business practices and confusion surrounding voluntary and mandatory SARs. Indeed, it is not always easy for financial intermediaries to meet the “know” and “have reasonable grounds to suspect” criteria established for mandatory SARs under Art. 9 AMLA. The rather imprecise legal term, combined with the lack of standardised business practices mentioned earlier, force financial intermediaries to decide on a case-by-case basis whether it is a voluntary or a mandatory SAR that needs to be submitted. It cannot have been the intention of lawmakers that mandatory SARs should only be submitted when there are concrete facts to substantiate the report. MROS’ stance on the matter is that mandatory SARs should be submitted when a financial intermediary is required to clarify an unusual transaction or business connection under Art. 6 AMLA and has evidence that assets either originate from criminal activity or at least that this possibility cannot be excluded. In order to benefit from the waivering of criminal sanctions for violation of their professional secrecy obligations, Art. 11 AMLA requires financial intermediaries to show the necessary due diligence when submitting mandatory SARs.

This interplay of rights and obligations makes it quite difficult for financial intermediaries to determine whether to submit a voluntary SAR by virtue of Art. 305ter SCC or a mandatory SAR by virtue of Art. 9 AMLA. Financial intermediaries are left to their own devices with little or no concrete instructions that would enable them to make the right decision. The only guidance comes from money laundering information provided in the appendix of the Swiss Federal Banking Commission's Money Laundering Ordinance of 18 December 2002 (FBC AMLO).[1] In an attempt to rectify the situation, Swiss lawmakers have undertaken to amend both the Anti-Money Laundering Act and the Swiss Criminal Code within the framework of a project called "Implementation of the revised recommendations of the Financial Action Task Force against money laundering": First of all, Art. 11 para. 1 AMLA will be amended so that financial intermediaries no longer have to show "due diligence in keeping with the circumstances" in order to benefit from the waiver of criminal sanctions but rather to "act in good faith", as the Financial Action Task Force (FATF) recommends. This will make it easier for financial intermediaries to benefit from the waiver of criminal sanctions, thereby affording them greater protection. The second amendment will be made to Art. 305ter para. 2 SCC, making MROS the only contact point for the submission of voluntary SARs relating to money laundering. With these two amendments, Switzerland's financial market will have a more coherent and even more effective reporting system that accommodates both types of SARs.

On 15 June 2007, the Federal Council submitted a draft Message to the Parliament proposing that the revised recommendations of the Financial Action Task Force (FATF) be implemented through a series of amendments to various pieces of federal legislation. By the end of 2007, the draft had not yet been discussed in Parliament. For MROS, quick implementation of this draft is needed not only for the reasons mentioned above but also because terrorist financing has been explicitly added to the Anti-Money Laundering Act. MROS has drawn fire from critics within the Egmont Group[2] who claim that MROS does not meet all of the criteria established in the definition of what constitutes an FIU. According to this definition, an FIU must have a formal legal basis authorising it to process SARs relating to terrorist financing. The fact that the MROS Ordinance[3] mentions MROS as the national reporting office for all matters relating to the fight against terrorist financing and the fact that MROS processes and analyses SARs relating to terrorist financing on the basis of an interpretation of Art. 9 para. 1 AMLA does not suffice in the eyes of Egmont Group. Over and above this *de facto* situation, it requires a formal legal basis in order for MROS to meet all of the prerequisites for membership with the Egmont Group. Switzerland

[1] Swiss Federal Banking Commission's Anti-Money Laundering Ordinance of 18 December 2002 FBC AMLO (SR 955.022)

[2] The Egmont Group is an association of 105 financial intelligence units (FIUs) worldwide. MROS has been a member since 1998. For more information, see Chap 6.2 and www.egmontgroup.org

[3] Art.1 para. 1 letter b of the Ordinance of the Federal Council of 25 August 2004 on the Money Laundering Reporting Office (revised on 21 November 2006, SR 955.23)

must therefore quickly implement the amendments to the Anti-Money Laundering Act as proposed in the Federal Council's draft Message. If this is not done, MROS' current membership with the Egmont Group may be suspended or even cancelled.

From a personal standpoint, MROS has reached the full extent of its capacities. MROS' experienced and highly qualified team is the only reason why MROS has been able to maintain the high quality of work and the average processing time of 2.5 days per SAR. The MROS team therefore deserves our full gratitude and appreciation for their dedication and hard work.

The MROS Annual Report will no longer be published in hardcopy format. Instead, an electronic version will be posted on fedpol's homepage and made available for download from the Internet.[4]

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Head of Money Laundering Reporting Office Switzerland MROS

Federal Department of Justice and Police FDJP
Federal Office of Police / Services Division
Money Laundering Reporting Office Switzerland MROS

Bern, 31 March 2008

4 http://www.fedpol.admin.ch/fedpol/en/home/themen/kriminalitaet/geldwaescherei/jahresberichte.html

2. Annual MROS statistics

2.1. General remarks

Looking back, 2007 was an intensive year for MROS. To summarise, the 2007 reporting year was characterised by the following developments:

1. **Sharp increase** in the total number of SARs received, the third highest reporting volume observed since 1 April 1998.
2. **New peak** in the number of SARs received from the banking sector since the Anti-Money Laundering Act came into effect.
3. **Change in trend** for the payment services sector.
4. **Increase in the total asset value of SARs** compared to the previous reporting year.

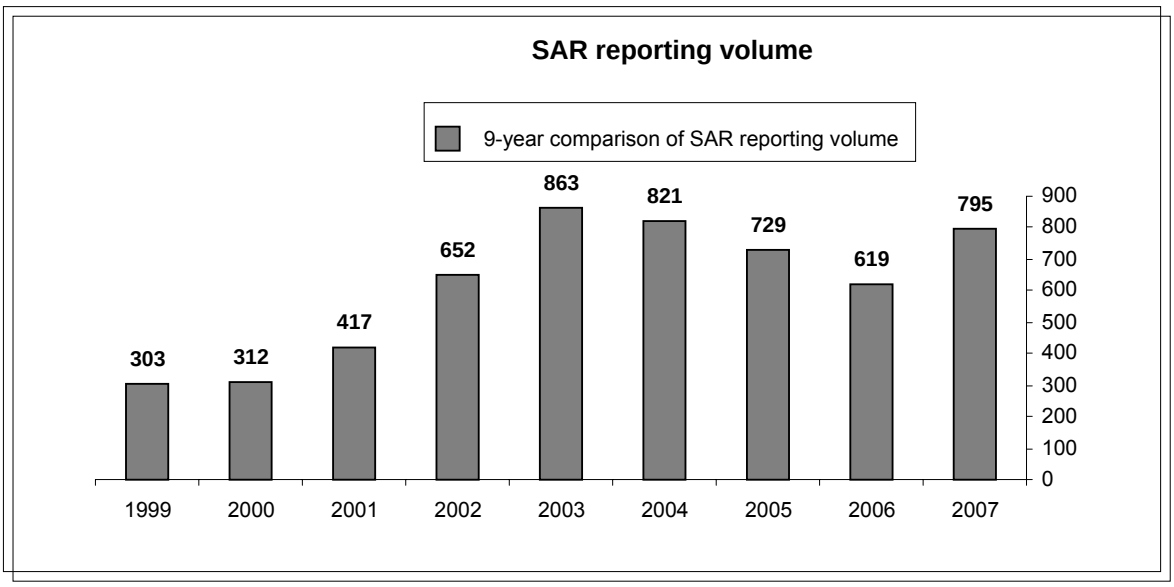
2.1.1. SAR reporting volume

MROS received a total of 795 SARs in 2007, amounting to a 28% increase compared to 2006. This is the third highest reporting volume observed since 1998, the year when MROS began gathering statistics on incoming SARs.
Only the years 2003 (863 SARs) and 2004 (821 SARs) had a larger reporting volume, due to heightened vigilance on the part of providers of international remittance/transfer services (i.e. money transmitters). Since SARs submitted by money transmitters had a strong impact on the total number of incoming SARs, we feel that a direct comparison of SARs received from both the banking sector and the payment services sector for the years 2003, 2004 and 2007 is appropriate (see table below):

Year	2003		2004		2007	
Total number of incoming SARs, in %	863	100%	821	100%	795	100%
SARs received from the banking sector	302	35%	340	41%	492	62%
Total number of SARs received from the payment services sector	461	53%	391	48%	231	29%
SARs from money transmitters	330	38%	294	36%	157	20%

This table shows that most of the SARs submitted in 2007 came from the banking sector both in terms of absolute figures and percentage. In fact, the proportion of SARs received from the banking sector is nearly twice as high as the 2003 peak year. Turning to the payment services sector, we find that money transmitters were mainly responsible for the peaks in reporting volumes in 2003 and 2004. If we compare the figures for the peak year 2003 with the current reporting year 2007, we find that the proportion of SARs received from money transmitters is currently only half as high as it was in 2003. This decrease in the money transmitter reporting volume is not a random development but rather partly the result of a concerted effort to improve the quality of SARs through training. The improved quality of SARs not only enabled MROS to forward a higher proportion of incoming SARs to law enforcement agencies, it also resulted in the law enforcement agencies acting on more of these SARs.

Another factor that contributed to the decrease in SARs from money transmitters was the fact that authorities were able to crack down and eliminate the "Nigerian scams" reported by the “victims” (see 2006 MROS Annual Report for more details). For the reasons stated above, 2007 may be considered as one of the best years in terms of the quality of incoming SARs. Two financial intermediary categories contributed most to this positive development: the banking sector, which submitted 133 more SARs (+37%) than the previous year, a tremendous increase; and the payment services sector, which submitted 67 more SARs (+41%) than in 2006, also a very substantial increase. The remaining financial intermediary categories may be broken down thus: “Attorneys” (6 more SARs), “Commodities and precious metals traders” (4 more SARs), “Asset managers and investment advisers” (2 more SARs), “Distributors of investment funds” (1 more SAR), “Securities traders” (2 more SARs) and “Credit card companies” (2 more SARs). While all of these categories submitted more SARs in 2007 than in 2006, their impact on the total reporting volume is relatively minor.



2.1.2. SARs from the banking sector

In the 2007 reporting year, MROS received 492 SARs from the banking sector (+37%), which is the highest reporting volume seen since the Anti-Money Laundering Act came into effect on 1 April 1998. Despite stagnation in the number of SARs submitted by regional and savings banks (9 SARs) and a decrease in the number of reports submitted by private banks (6 fewer SARs, or -43%), all other bank categories submitted more SARs in 2007 than in 2006 (see Chapter 2.3.5 for a more detailed explanation). The increase can be attributed to the fact that many incoming SARs were interrelated, having been triggered by a vast array of intricate business connections derived from the same context. The other reason for the increase has to do with the fact that financial intermediaries are now able to gather information more quickly thanks to electronic means at their disposal. The most visible increase in reporting volume came from major banks. Here again, many of the SARs were triggered by interrelated circumstances. The most noteworthy reporting trend has been an increase in the number of voluntary SARs submitted by virtue of Art. 305ter para. 2 SCC (97 more SARs, or +110%). An MROS recommendation that banks submit voluntary SARs to MROS instead of sending them to law enforcement agencies directly seems to have had a positive effect (for more details, see comments in Chapter 2.1. of the 2006 MROS Annual Report). Finally, the lack of standardised business practices within the banking sector has had an impact on submissions of voluntary SARs and mandatory SARs (for more details, see Chapter 2.3.5. below). Mandatory SARs submitted by virtue of Art. 9 AMLA increased slightly from 262 in 2006 to 291 in 2007 (+11%). Attempted money laundering SARs submitted by virtue of Art. 24 FBC AMLO increased dramatically from 9 to 16 (+78%).

SARs from the banking sector	**2006**	**2007**	**Difference**
SARs submitted by virtue of Art. 9 AMLA (mandatory SARs)	262	291	+29 (+11%)
SARs submitted by virtue of Art. 24 FBC AMLO (attempted money laundering SARs) in connection with Art. 9 AMLA	9	16	+7 (+78%)
SARs submitted by virtue of Art. 305ter SCC (voluntary SARs)	88	185	+97 (+110%)
Total	**359**	**492**	**+133 (+37%)**

Due to the observed increase in the number of SARs submitted by the banking sector, the total asset value of SARs increased by nearly 13% from CHF 816 million in 2006 to CHF 921 million in 2007.

2.1.3. SARs from the payment services sector

Among the various financial intermediary categories, the payment services sector was the second largest contributor of SARs in 2007. The unexpected increase in SARs from this sector marked a change in the downward trend observed over the past few years. While MROS had received 164 SARs from the payment services sector in 2006, the figure rose to 231 SARs (+41%) in 2007. Providers of international remittance/transfer services (i.e. money transmitters) submitted 157 SARs or 68% of all incoming SARs in 2007 compared to 101 SARs or 62% of all incoming SARs in 2006. Unfortunately, the quality of the SARs submitted by this sector did not continue to improve as was the case in 2006. Around 60% of the SARs that MROS received from money transmitters were not forwarded to law enforcement agencies. For more details on the subject, see Chapter 2.1.4 below.

2.1.4. Quality of SARs

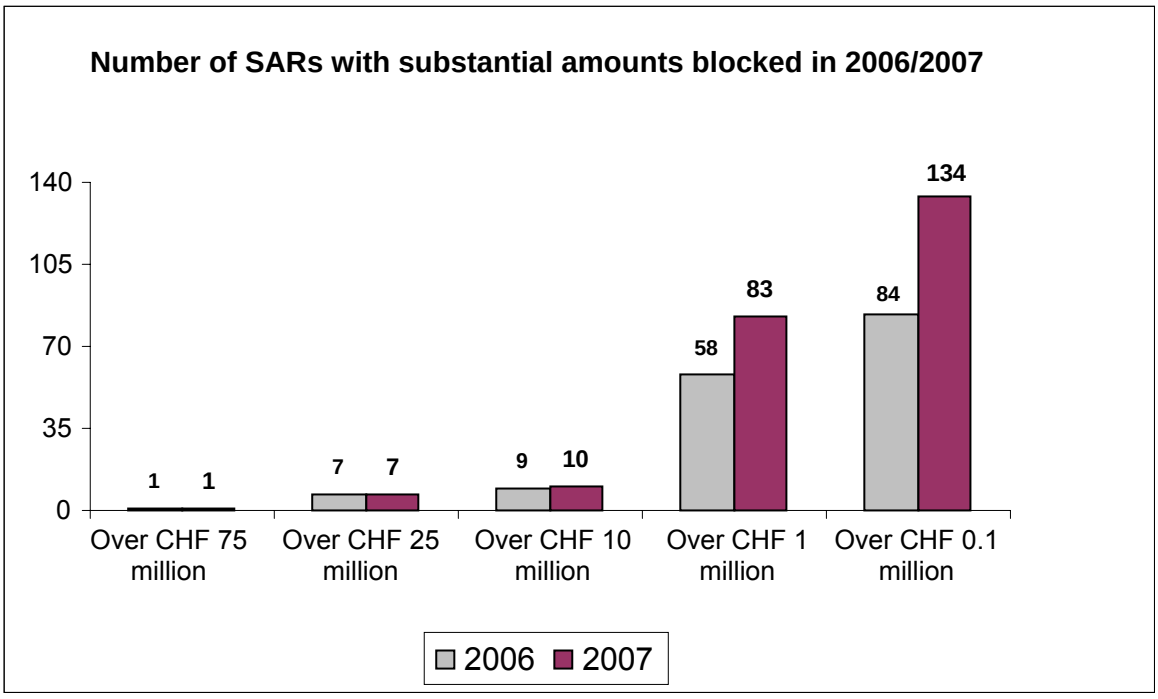
The percentage of incoming SARs that MROS forwarded to law enforcement agencies decreased from 82% in 2006 to 79% in 2007. Despite this slight decrease, the quality of SARs remained quite high overall. However, the quality of SARs varied considerably among the various financial intermediary categories. If we analyse the proportion of SARs from the two largest categories of financial intermediaries (i.e. banking and payment services sectors) that MROS forwarded to law enforcement agencies in 2007, we find that the proportion of forwarded SARs decreased for both the banking sector (nearly 91% in 2007 compared to over 94% in 2006) and the payment services sector (nearly 52% compared to nearly 57% in 2006). Of the total of 231 SARs received from the payment services sector, 157 SARs, or 68% (nearly 62% in 2006) came from money transmitters. The proportion of forwarded SARs from money transmitters (who have very little background information about their customers) stood at nearly 41% (compared to nearly 42% in 2006). There is considerable potential here for an improvement in quality, since the financial intermediaries do, in fact, often have information and documents at their disposal that should make them realise that no SAR need be submitted.

2.1.5. SARs involving substantial levels of assets

As in 2006, the current reporting year includes an SAR submitted by a major bank in the “over CHF 75 million” asset value category. The SAR in question relates to a high-profile corruption case. In 2007, a total of seven SARs were submitted involving assets valued at over CHF 25 million, which is the same number of SARs that MROS received in this asset value category in 2006. These SARs came exclusively from the banking sector. A closer look at both of the largest asset value categories reveals that these eight SARs involve total assets worth around CHF 441 million (or 48% of

the total asset value of all SARs received in 2007). Of these eight incoming SARs, four were submitted to MROS on the basis of newspaper reports, and four were the result of information provided by law enforcement agencies. Five of the SARs relate to bribery (three within the same context), two SARs relate to the predicate offence "Fraud" and one falls into the "Money laundering" category. MROS forwarded all of these SARs to law enforcement agencies. As far as the current status of these forwarded SARs is concerned, two of the SARs led to criminal proceedings. However, one of the cases was suspended and a stay order was issued on the other. As for the remaining six SARs, they are still being processed by law enforcement agencies.

The number of SARs involving assets of over CHF 10 million and those involving over CHF 1 million increased with respect to the previous year. For the 2007 reporting year, the average asset value of each of these incoming SARs was roughly CHF 1.16 million (CHF 1.32 million in 2006). This slight decrease is clearly due to the increase in the number of SARs from the payment services sector.



2.2. The search for terrorist funds

In the last three reporting years, MROS has received a steadily decreasing number of SARs relating to cases of suspected terrorist financing. At six SARs and a total asset value of nearly CHF 233,000, the 2007 reporting year was the second lowest year since 2001. SARs relating to cases of suspected terrorist financing account for about 0.8% of the entire volume of SARs received in 2007. If we compare the total asset value of these SARs with the total asset value of all incoming SARs, we find that the percentage stands at 0.03%. Four of the SARs in question came from the banking sector and two from the payment services sector. Most of the SARs came from the German-speaking region of Switzerland. The assets valued at nearly CHF 233,000 in connection with suspected terrorist financing came from a single SAR submitted by a financial institution in the regional & savings bank category. Careful scrutiny of this SAR, an SAR from a foreign-controlled bank and another SAR from the payment services sector revealed that they did not need to be forwarded to law enforcement agencies. All six of the SARs had to do with unrelated natural persons, legal entities and circumstances. Due to the nature of the transaction in five of the cases (payment services, loan or closing of bank account), there was no freezing of assets.

Of the six suspected terrorist financing SARs that MROS received in 2007, only one person could not be entirely ruled out because the person's name is on one of the US Administration's blacklists. Three SARs were based on the "Taliban Regulations" issued by the State Secretariat for Economic Affairs (SECO) and the remaining two were based on information provided by third parties alleging that the suspects in question had a terrorist background. After careful scrutiny, MROS decided to forward only three of the six SARs to the Office of the Attorney General of Switzerland (OAG) as the law enforcement agency with jurisdiction over the cases in question. As it turned out, the OAG dismissed or suspended all three cases. Thus, not a single case led to the initiation of criminal proceedings.

Year	Number of SARs			Factor arousing suspicion				Asset value	
	Total	Terrorist funding (TF) SARs	TF in% of total no. of SARs	Bush	OFAC	Taliban (seco)	Other	In connection with TF	TF in% of total amounts of SARs
2001	417	95	22.8%	33	1	4	57	131,379,332.45	4.82%
2002	652	15	2.3%	13	0	0	2	1,613,819.00	0.22%
2003	863	5	0,6%	3	1	1	0	153,922.90	0.02%
2004	821	11	1.3%	0	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%
2007	795	6	0.8%	1	0	3	2	232,815.04	0.03%
TOTAL	4,896	160	3.3%	56	7	17	80	196,857,506.67	2.71%

The following table shows the six terrorist funding SARs submitted in 2007 in detail.

a) Location of reporting financial intermediary

	No. of SARs	%
Bern	3	50.0%
Zurich	2	33.3%
Vaud	1	16.7%
Total	**6**	**100.0%**

b) Type of financial intermediary

	No. of SARs	%
Banks	4	66.7%
Payment services	2	33.3%
Total	**6**	**100.0%**

c) Type of reporting bank

	No. of SARs	%
Major bank	1	25.0%
Foreign-controlled bank	1	25.0%
Private bank	1	25.0%
Regional and savings bank	1	25.0%
Total	**4**	**100.0%**

d) Nationality and domicile of client

Country	Nationality		Domicile	
Switzerland	1	16.7%	4	66.7%
Saudi Arabia	1	16.7%	1	16.6%
UK	1	16.7%	0	0.0%
Iran	1	16.7%	0	0.0%
Albania	1	16.7%	1	16.6%
Algeria	1	16.7%	0	0.0%
Total	**6**	**100.0%**	**6**	**100.0%**

e) Nationality and domicile of beneficial owner

Country	Nationality		Domicile	
Switzerland	1	16.7%	4	66.7%
Saudi Arabia	1	16.7%	1	16.6%
UK	1	16.7%	0	0.0%
Iran	1	16.7%	0	0.0%
Albania	1	16.7%	1	16.6%
Algeria	1	16.7%	0	0.0%
Total	**6**	**100.0%**	**6**	**100.0%**

2.3. Detailed statistics

2.3.1 Overview of MROS statistics 2007

Summary of reporting year (1 January 2007 – 31 December 2007)

SAR reporting volume	2007 Absolute	2007 Relative	+/-	2006 Absolute	2006 Relative
Total number of SARs received	**795**	100.0%	28.4%	619	100.0%
Forwarded SARs	624	78.5%	22.8%	508	82.1%
Non-forwarded SARs	166	20.9%	49.5%	111	17.9%
Pending SARs	5	0.6%	0.0%	0	0.0%
Type of financial intermediary					
Bank	492	61.9%	37.0%	359	58.0%
Payment services	231	29.0%	40.9%	164	26.5%
Fiduciary	23	2.9%	-48.9%	45	7.3%
Asset manager/Investment adviser	8	1.0%	33.3%	6	1.0%
Attorney	7	0.9%	600.0%	1	0.2%
Insurance	13	1.6%	-27.8%	18	2.9%
Other	3	0.4%	-57.1%	7	1.1%
Casino	3	0.4%	-62.5%	8	1.3%
Currency exchange	1	0.1%	-50.0%	2	0.3%
Distributor of investment funds	1	0.1%	N/A	0	0.0%
Loan, leasing, factoring and non-recourse financing	4	0.5%	-50.0%	8	1.3%
Securities trader	2	0.3%	N/A	0	0.0%
Credit card company	2	0.3%	N/A	0	0.0%
Commodity and precious metal trader	5	0.6%	400.0%	1	0.2%
Asset value of SARs in CHF					
(Total effective assets at time of report)					
Total asset value of all SARs received	921,248,716	100.0%	12.9%	816,084,524	100.0%
Total asset value of forwarded SARs	885,007,579	96.1%	18.5%	747,094,611	91.5%
Total asset value of pending SARs	13,438,533	1.4%	N/A	0	0.0%
Total asset value of non-forwarded SARs	22,802,604	2.5%	-66.9%	68,989,913	8.5%
Average asset value of SARs (total)	1,158,803			1,318,392	
Average asset value of forwarded SARs	1,418,281			1,470,659	
Average asset value of pending SARs	2,687,707			0	
Average asset value non-forwarded SARs	137,365			621,531	

2.3.2 Home canton of reporting financial intermediary

What the chart represents

This chart shows the cantons where the reporting financial intermediaries who filed SARs are based. Compare with the "Forwarded SARs" chart (Chart 2.3.12), which indicates the cantons where the law enforcement agencies receiving forwarded SARs are based.

Chart analysis

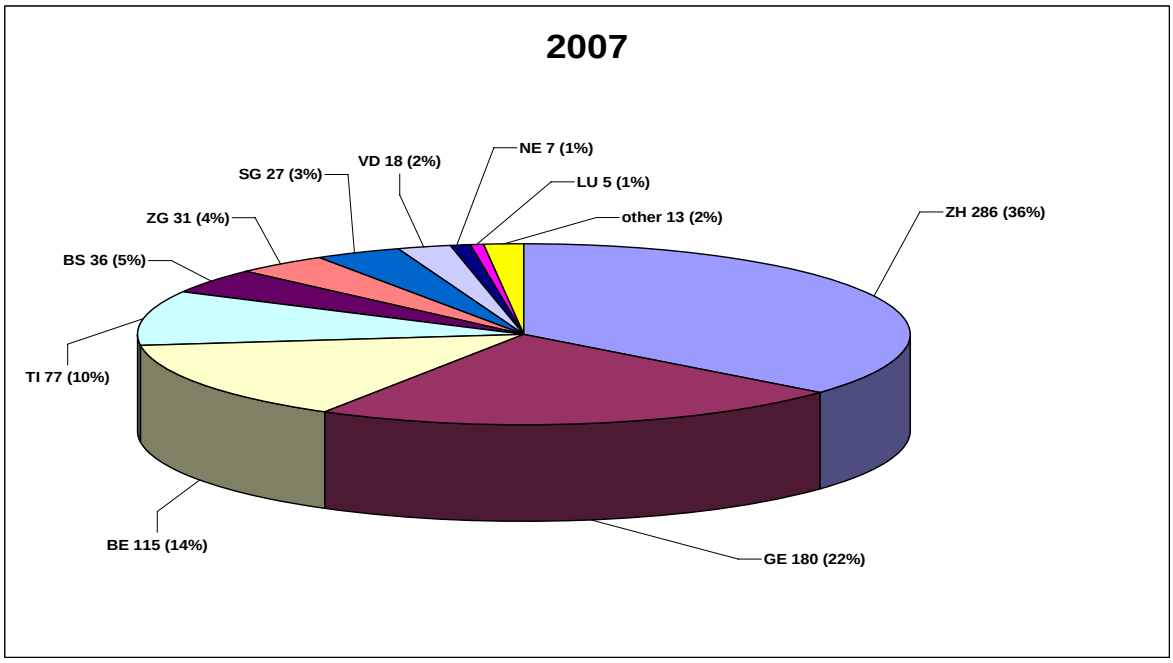
95% of all incoming SARs came from seven cantons with a highly developed financial services sector or centralised compliance centres.

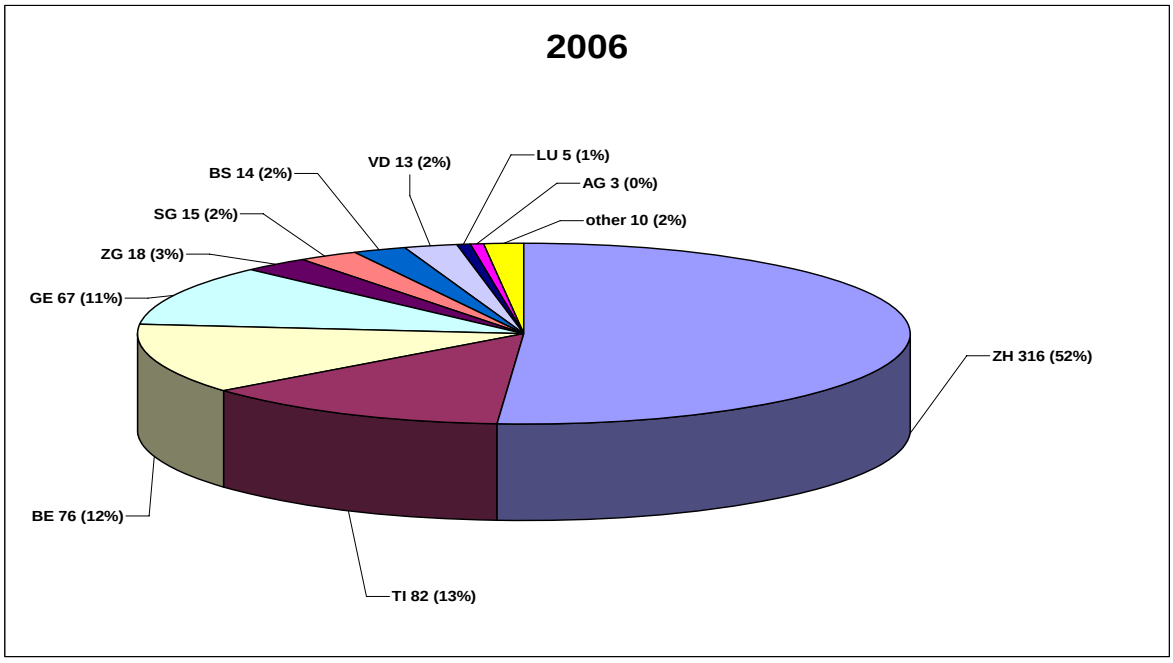
As to be expected, the majority of reports in 2007 came from those cantons with a highly developed financial services sector and centralised compliance centres. Thus, 752 SARs (nearly 95%) were submitted by financial intermediaries from the cantons of Zurich, Geneva, Bern, Ticino, Basel-Stadt, Zug and St. Gallen. Although the number of SARs, especially from the payment services sector, increased noticeably compared to 2006, only 36% of the total reporting volume (52% in 2006) came from the canton of Zurich. Despite this decrease, Zurich's financial market remains the leading contributor of SARs, appearing at the top of our table. In absolute terms, the canton of Zurich submitted 30 fewer SARs in 2007 than in 2006 (286 SARs in 2007 compared to 316 SARs in 2006). In contrast, the number of reports from financial intermediaries from the canton of Geneva increased substantially (+113 SARs). At nearly 22% of all SARs submitted, Geneva's financial market is, for the first time, now the second largest contributor of SARs, falling just behind Zurich. This increase can be explained by the fact that a very large number of SARs from Geneva were interrelated, referring to a small number of similar cases which, for administrative reasons, had triggered a separate SAR for each and every business connection even though these SARs were linked to the same context. Bern's financial market continues to be the third largest contributor of SARs with a slight increase in its proportion of the total reporting volume (14% in 2007 compared to 12% in 2006).

In 2007, MROS did not receive any SARs from financial intermediaries based in the half cantons of Appenzell Ausserrhoden and Nidwalden nor from the cantons of Glarus, Jura, Solothurn, Uri and Valais. This is partly due to the centralisation of compliance centres at the regional level in Switzerland. The same situation applies to the following chapter ″Location of suspicious business connection"(Chapter 2.3.3). MROS received its very first SAR from the half canton of Appenzell Innerrhoden since the Anti-Money Laundering Act came into effect.

Legend

AG	Aargau	GR	Graubünden	SZ	Schwyz
AI	Appenzell Innerrhoden	JU	Jura	TG	Thurgau
AR	Appenzell Ausserrhoden	LU	Lucerne	TI	Ticino
BE	Bern	NE	Neuchâtel	UR	Uri
BL	Basel-Landschaft	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 2006/2007

Canton	2006	2007	+/-
ZH	316	286	-30
GE	67	180	+113
BE	76	115	+39
TI	82	77	-5
BS	14	36	+22
ZG	18	31	+13
SG	15	27	+12
VD	13	18	+5
NE	2	7	+5
LU	5	5	0
GR	2	4	+2
SZ	1	2	+1
AG	3	1	-2
FR	2	1	-1
TG	2	1	-1
BL		1	+1
SH		1	+1
OW		1	+1
AI		1	+1
VS	1		-1
AR			
GL			
JU			
NW			
SO			
UR			
Total	**619**	**795**	**+176**

2.3.3 Location of suspicious business connection

What the chart represents

The chart shows the cantons where the reporting financial intermediary managed accounts or business connections mentioned in an incoming SAR. This chart is intended to serve as a complement to the previous chart 2.3.2 *Home canton of reporting financial intermediary.*

Chart analysis

The SARs submitted to MROS by financial intermediaries do not clearly indicate the actual location of the account or business connection.

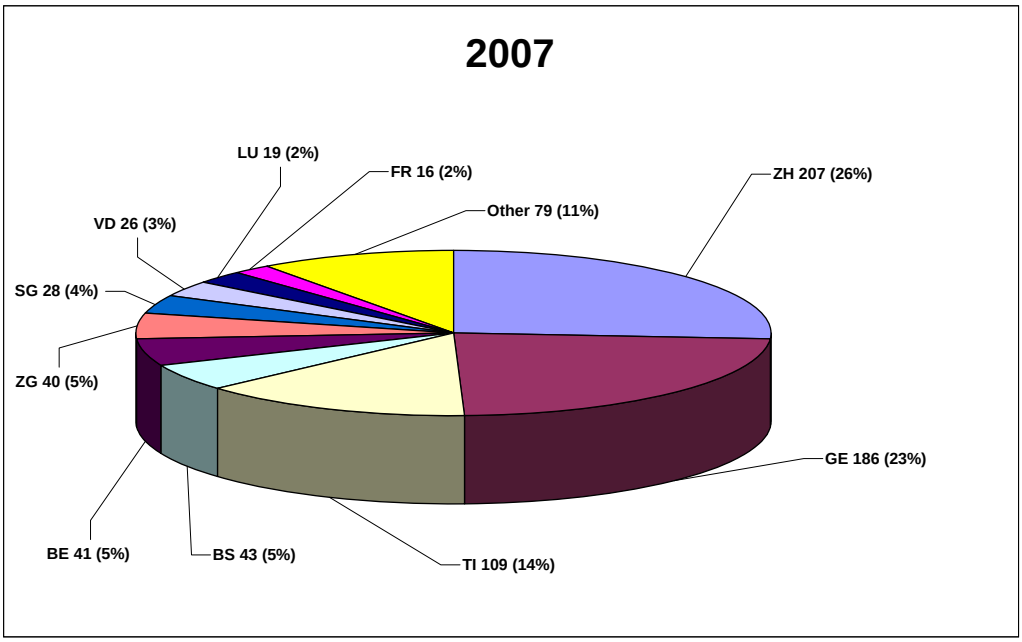
It is mainly the major banks and major payment services providers that have set up centralised compliance centres for specific regions of Switzerland. The financial intermediaries based in the various cantons send their reports to the corresponding regional competence centre, which then drafts the SAR to be sent to MROS. However, these SARs either do not mention the home canton of the reporting financial intermediary or mention several different cantons in the same SAR. This can lead to a distorted picture of the geographical distribution of money laundering cases in Switzerland. Moreover, a direct comparison with statistics on forwarded SARs (see Chapter 2.3.12) is not possible. This is partly because MROS does not forward all of the SARs it receives to law enforcement agencies and partly because Art. 337 SCC gives jurisdiction to federal law enforcement agencies in certain cases. This latter situation means that cantonal law enforcement agencies no longer have jurisdiction over the account or business connection in the actual physical location. This fact is illustrated by the previous chart on *Home canton of reporting financial intermediary* (Chapter *2.3.2)*.

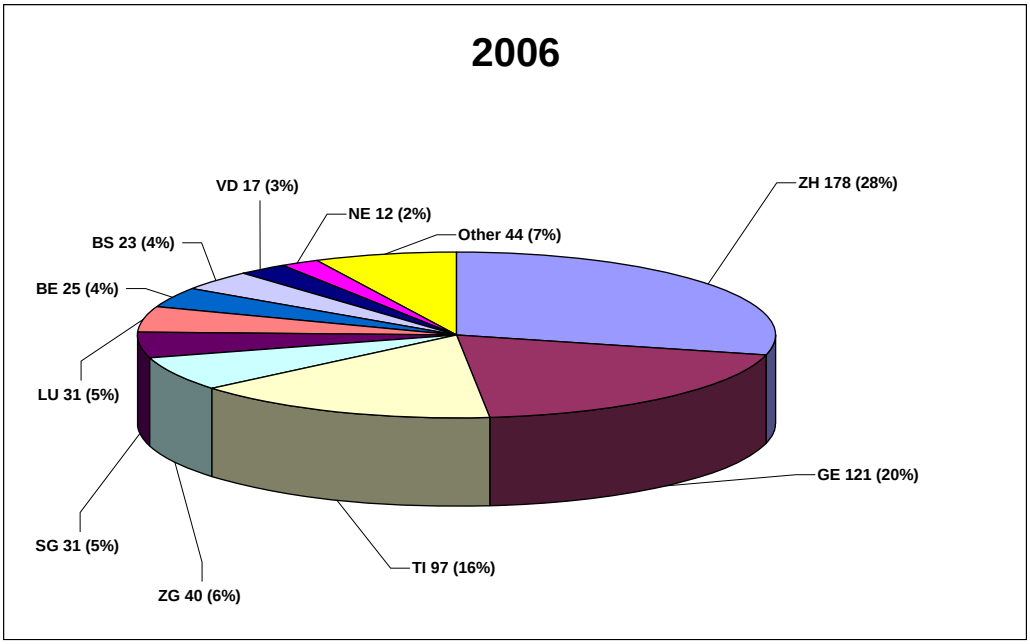
While nearly 95% of all reports sent to MROS in 2007 came from financial intermediaries domiciled in the cantons of Zurich, Geneva, Bern, Ticino, Basel-Stadt, Zug and St. Gallen, only about 82% of the reported suspicious business connections actually took place in these seven cantons.

In 2007, MROS did not receive any SARs from financial intermediaries based in the half cantons of Appenzell Ausserrhoden and Nidwalden nor from the cantons of Glarus, Jura, Solothurn, Uri and Valais. In addition, the half cantons of Appenzell Ausserrhoden and Nidwalden were the only locations where no suspicious business connections were reported.

Legend

AG	Aargau	GR	Graubünden	SZ	Schwyz
AI	Appenzell Innerrhoden	JU	Jura	TG	Thurgau
AR	Appenzell Ausserrhoden	LU	Lucerne	TI	Ticino
BE	Bern	NE	Neuchâtel	UR	Uri
BL	Basel-Landschaft	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: 2006/2007

Canton	2006	2007	+/-
ZH	178	207	+29
GE	121	186	+65
TI	97	109	+12
BS	23	43	+20
BE	25	41	+16
ZG	40	40	0
SG	31	28	-3
VD	17	26	+9
LU	31	19	-12
FR	5	16	+11
NE	12	12	0
VS	10	10	0
GL	2	9	+7
AG	11	8	-3
TG	7	7	0
BL	1	7	+6
SZ	2	6	+4
SO		6	+6
GR	3	5	+2
AI		4	+4
SH		3	+3
JU	3	1	-2
OW		1	+1
UR		1	+1
Total	**619**	**795**	**+176**

2.3.4 Type of financial intermediary

What the chart represents

This chart shows the various types of financial intermediary that submitted SARs to MROS.

Chart analysis

- *Record number of SARs from the banking sector since the Anti-Money Laundering Act came into effect. Once again the banking sector accounted for the largest proportion of the total number of incoming SARs.*
- *Renewed increase in the number of SARs submitted by the payment services sector.*

A direct comparison of the 2006 and 2007 reporting years shows that the number of SARs submitted by the banking sector once again increased sharply. The number of SARs submitted by the payment services sector also increased noticeably in 2007, marking a change in trend with respect to 2006. These two categories alone contributed more SARs in 2007 than the entire group of financial intermediary categories combined in 2006: a total of 723 SARs were received from the banking and payment services sector in 2007 compared to a total of 619 SARs from all financial intermediary categories combined in 2006. In addition to the robust growth from these two major sectors, other financial intermediary categories (i.e. “Asset managers and investment advisers”, “Attorneys”, “Distributors of investment funds”, “Securities traders”, “Credit card companies” and “Commodities and precious metals traders”) also performed well. All of these categories submitted more SARs in 2007 than in 2006 even though their impact on the total reporting volume was relatively minor. Likewise, while the remaining financial intermediary categories (i.e. “Fiduciary”, “Insurance”, “Other”, “Casinos”, “Currency exchange” as well as “Loan, leasing, factoring and non-recourse financing”), submitted fewer reports in 2007, their impact on the total reporting volume was also minimal.

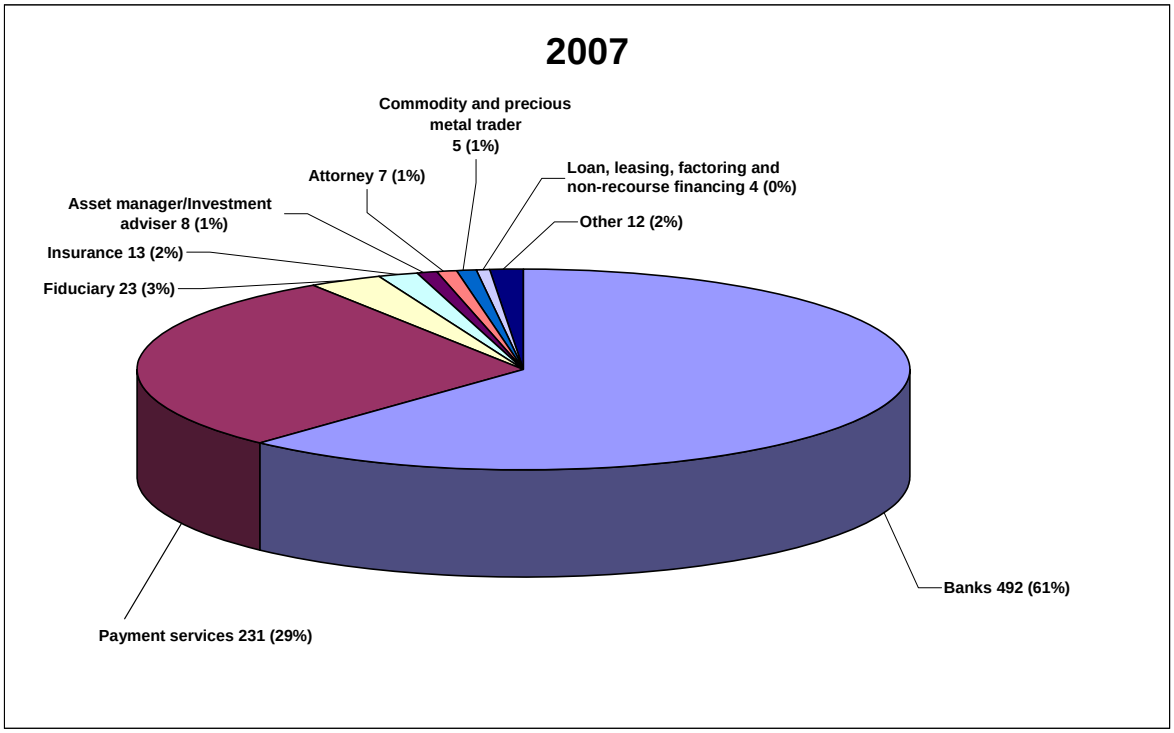
As in 2006, financial intermediaries from the payment services sector were not the top contributors of SARs in 2007. Instead, it was the banking sector that submitted by far the most reports in 2007: 62% of the total reporting volume in 2007 (compared to 58% in 2006). The banking sector submitted a total of 492 SARs to MROS in 2007, which amounts to 133 more SARs (+37%) than in 2006. Among the SARs that came from the banking sector in 2007, voluntary SARs submitted by virtue of Art. 305ter para. 2 SCC increased the most: from 88 voluntary SARs in 2006 to 185 (+110) in 2006. This is partly due to the fact that the major banks, at MROS’s initiative, now send most of

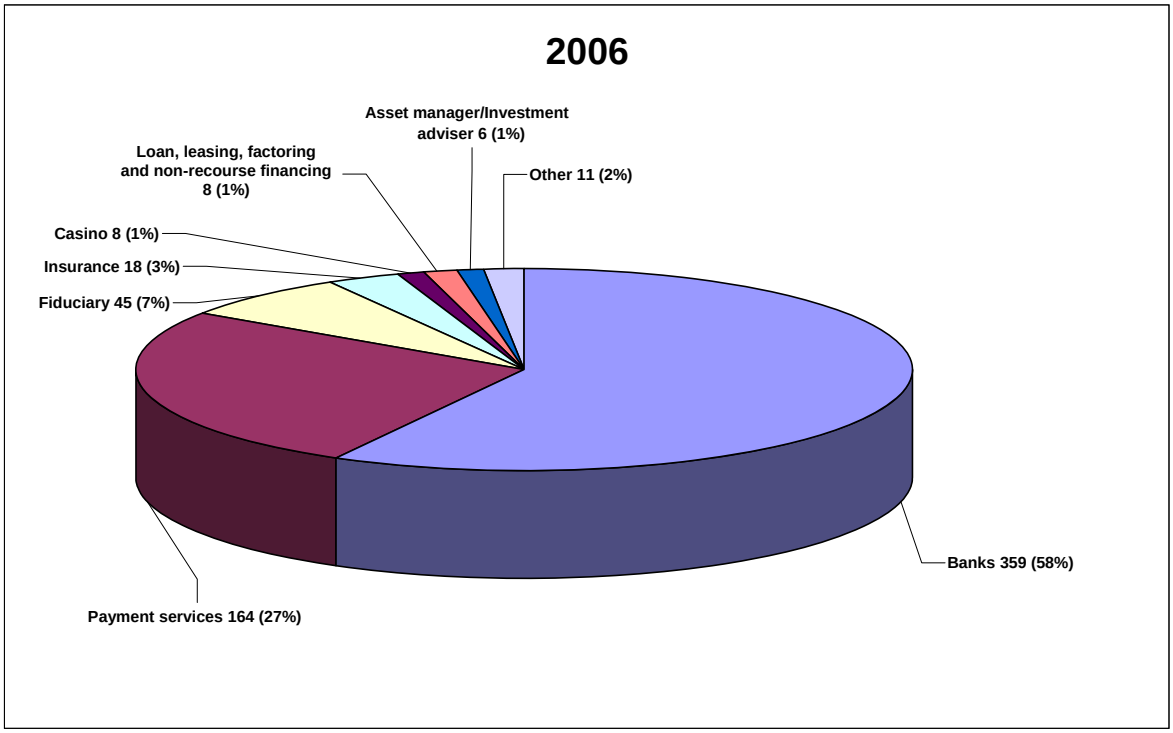
their voluntary SARs directly to MROS rather than to law enforcement agencies directly. At the same time, the confusion surrounding voluntary and mandatory SARs combined with the lack of standardised business practices prompted the various financial intermediaries to opt for voluntary SARs. There was also a slight increase in the number of mandatory SARs submitted by virtue of Art. 9 AMLA: from 262 in 2006 to 291 in 2007. The number of attempted money laundering SARs submitted by virtue of Art. 24 FBC AMLO also increased from 9 SARs in 2006 to 16 SARs in 2007.

The 2007 reporting year saw a change in trend for SARs submitted by the payment services sector. In absolute terms, this category submitted 231 SARs in 2007 compared to 164 SARs in 2006 (+67), which represents an overproportional increase of nearly 41% in comparison to the increase in the total number of SARs in 2007. That said, MROS forwarded only about 52% of these SARs to law enforcement agencies (compared to nearly 57% in 2006). This was a direct consequence of the lower quality of these SARs.

With a total of 91% (84% in 2006), SARs from the banking and payment services sectors combined account for the largest volume of SARs submitted to MROS in the 2007 reporting year. These two major contributors are the main reasons why incoming SARs have increased for the first time since 2003. As a whole, the other financial intermediaries, however, submitted fewer SARs in 2007 than in 2006.

The other non-banking sector categories (i.e. excluding the payment services sector described above) accounted for less than 9% of the total reporting volume in 2007 compared to approximately 16% in 2006. This group submitted 72 SARs to MROS in 2007, 24 less than in the previous reporting year. Moreover, the number of SARs received from the “Fiduciary” category dropped by nearly half with respect to the 2006 reporting year. The reasonable conclusion that may be drawn from this sharp decrease is that either the fiduciaries are leaving due diligence up to the banks or they are now selecting their clients with much more care.


2007
Commodity and precious metal trader 5 (1%)
Attorney 7 (1%)
Loan, leasing, factoring and non-recourse financing 4 (0%)
Asset manager/Investment adviser 8 (1%)
Other 12 (2%)
Insurance 13 (2%)
Fiduciary 23 (3%)
Banks 492 (61%)
Payment services 231 (29%)


2006
Asset manager/Investment adviser 6 (1%)
Loan, leasing, factoring and non-recourse financing 8 (1%)
Other 11 (2%)
Casino 8 (1%)
Insurance 18 (3%)
Fiduciary 45 (7%)
Banks 359 (58%)
Payment services 164 (27%)

For comparison: 2006 / 2007

Financial intermediary category	2006	2007	+/-
Bank	359	492	+133
Payment services	164	231	+67
Fiduciary	45	23	-22
Insurance	18	13	-5
Asset manager/Investment adviser	6	8	+2
Attorney	1	7	+6
Commodity and precious metal trader	1	5	+4
Loan, leasing, factoring and non-recourse financing	8	4	-4
Casino	8	3	-5
Securities trader		2	+2
Credit card company		2	+2
Other FI		2	+2
Currency exchange	2	1	-1
Distributor of investment funds		1	+1
Self-regulating		1	+1
Others	6		**-6**
Foreign exchange trader	1		**-1**
Total	**619**	**795**	**+176**

Proportion of SARs forwarded to the law enforcement agencies in 2007 by category

Financial intermediary category	% forwarded	% not forwarded
Bank	91.3%	8.7%
Payment services	51.9%	48.1%
Fiduciary	78.3%	21.7%
Insurance	61.5%	38.5%
Casino	66.7%	33.3%
Loan, leasing, factoring and non-recourse financing	50.0%	50.0%
Other FI	100.0%	0.0%
Asset manager/Investment adviser	75.0%	25.0%
Currency exchange	100.0%	0.0%
Attorney	85.7%	14.3%
Commodity and precious metal trader	100.0%	0.0%
Credit card company	100.0%	0.0%
Distributor of investment funds	0.0%	100.0%
Securities trader	100.0%	0.0%
Total	81.9%	18.1%

2.3.5 SARs from the banking sector

What the chart represents

This chart shows the types of banks that submitted SARs to MROS.

Chart analysis

- *Strong increase in the reporting volume from the banking sector as a whole.*
- *Once again a massive increase in the number of SARs from major banks.*
- *Only private banks submitted fewer SARs.*

In the 2007 reporting year, MROS received more SARs from the banking sector than it has since the Anti-Money Laundering Act came into effect on 1 April 1998.

Year	Total number of SARs	SARs from the banking sector	Percentage of SARs 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%
2007	795	492	62%

As was already the case in 2006, but unlike the previous years 2002, 2003, 2004 and 2005, most of the SARs that MROS received came from the banking sector: in 2007, these SARs accounted for 62% (58% in 2006) of all incoming SARs. This development is partly explained by the fact that a small number of cases generated a large number of interrelated SARs triggered by an intricate web of business connections relating to the same context. Another reason is that banks now preventively monitor customer activity through efficient electronic means and screen customers using external compliance databases.

As far as the noticeable increase in the number of SARs relating to investment fraud (see Chapter 2.3.7) is concerned, it should be mentioned that stock market performance was very strong in 2007, which enabled non-bank financial intermediaries to attract unsophisticated and unsuspecting investors for the purpose of illicitly draining them of their assets. In many cases, it was foreign investors who lost considerable

sums. One of the main reasons why these investors had been drawn into such schemes was the fact that their funds were to be deposited in an account held with a reputable Swiss bank.

Granted, the banking sector performed remarkably well in 2007 and this logically implies a certain degree of risk taking, particularly as far as the opening accounts with new customers is concerned. Moreover, asset managers and investment advisers often manage very sizeable portfolios and as such, sometimes find it difficult to strike a balance between performance and monitoring.

As in 2006, major banks were the main banking sector contributors of SARs from the banking sector, submitting 213 SARs (+49%) in 2007. Foreign-controlled banks were the second largest contributors from within the banking sector, submitting 119 SARs (+27%). The surge in banking sector reporting volume is primarily driven by the major banks, which submitted 53% (70 more SARs than in 2006) of the total reporting volume in 2007. The banking sector as a whole submitted 133 more SARs (+37%) in 2007 than it did in 2006. Taking a closer look at the major banks, we find that of the 213 SARs that MROS received, 65 were mandatory SARs submitted by virtue of the Anti-Money Laundering Act; 148 were voluntary SARs submitted by virtue of Art. 305ter para. 2 SCC; and none of them were attempted money laundering SARs submitted by virtue of Art. 24 FBC AMLO. Mandatory SARs accounted for nearly one in every three SARs submitted by a major bank. MROS took a closer look at this figure and realised that all 148 voluntary SARs came from the same financial intermediary and that these SARs accounted for 84% of all of the SARs that this financial intermediary submitted to MROS in 2007. From our analysis, it became clear that business practices vary considerably among bank branches and bank types as far as submission of voluntary and mandatory SARs is concerned. A more positive development was that many more voluntary SARs are now being submitted to MROS (rather than to law enforcement agencies directly), which makes national coordination and monitoring of the situation easier. We also realised that many financial intermediaries that submitted voluntary SARs would freeze their customer's assets at the same time even though Art. 305ter para. 2 SCC makes no mention of the freezing of assets. Moreover, they also adopted an informal practice of not informing their customers that an SAR had been submitted. In other words, financial intermediaries were willingly applying FATF Recommendations 3 and 14.

Financial intermediaries need to be made aware of the fact that there is a difference between voluntary reporting under Art. 305ter para. 2 SCC and mandatory reporting under Art. 9 AMLA. Article 305ter paragraph 2 SCC only gives financial intermediaries the right to submit SARs to Swiss law enforcement agencies or legally designated Swiss federal authorities. It does not authorise them to freeze their customer's assets. In other words, if a financial intermediary submits a voluntary SAR and freezes its customer's assets, the protection normally afforded to them by Art. 11 AMLA does not

apply as it would in the case of mandatory reporting. Admittedly, the wording of Art. 11 AMLA is misleading as it implies that the opposite is true. For this reason, the Anti-Money Laundering Act was re-examined (for more details see Chapter 5.1. of the present report), which led to a draft amendment of the Act being submitted to clarify the situation. The proposed amendment reads as follows:

Article 11: Lifting of criminal sanctions and liability (proposed amendment to the Anti-Money Laundering Act)

1 Anyone who submits a suspicious activity report in good faith by virtue of Article 9, or freezes assets by virtue of Article 10, may not be exposed to criminal sanctions for violation of professional secrecy obligations or be held liable for breach of contract.
2 This lifting of criminal sanctions and liability shall also be afforded to financial intermediaries who submit a report by virtue of Article 305te, para. 2 of the Swiss Criminal Code.

The text of the Federal Council's Message reads as follows:

"The wording of Article 11 of the Anti-Money Laundering Act was also changed for greater clarity. The previous wording gave the impression that SARs submitted by virtue of Article 305ter paragraph 2 of the Swiss Criminal Code also meant that assets needed to be frozen. This is not the case and also will not be the case in the future. The obligation to freeze a customer's assets only arises when an SAR is filed by virtue of Article 9 of the Anti-Money Laundering Act. For this reason, the wording of Article 11 has been changed to draw a distinction between the two cases: the first paragraph of Article 11 refers to the lifting of criminal sanctions and liability for SARs submitted by virtue of Article 9f of the Anti-Money Laundering Act or the freezing of assets by virtue of Article 10 of the Anti-Money Laundering Act. The second paragraph of Article 11 refers to SARs submitted by virtue of Article 305ter of the Swiss Criminal Code."

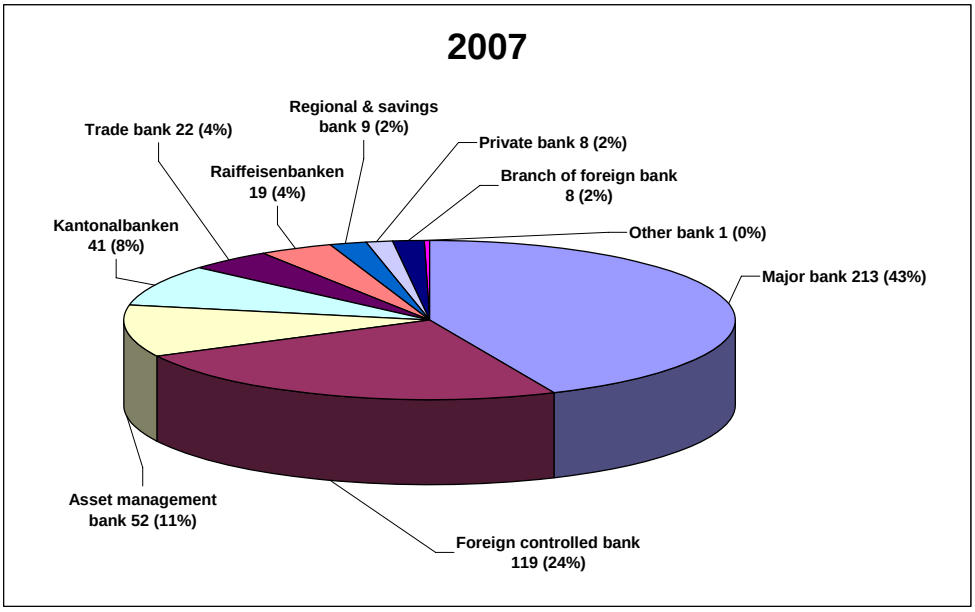
Major banks submitted 65 mandatory SARs by virtue of Art. 9 AMLA in 2007; this amounts to a 25% decrease with respect to 2006 (87 SARs). If we consider the other types of banks, we find a completely different situation: the number of voluntary and mandatory SARs increased, with the "other bank" category submitting more mandatory SARs than voluntary ones. All things considered, voluntary SARs accounted for the largest increase in SARs received from the banking sector for both 2006 and 2007: from 88 SARs in 2006 to 185 in 2007 (+110%), or around 38% of all incoming SARs from the banking sector.

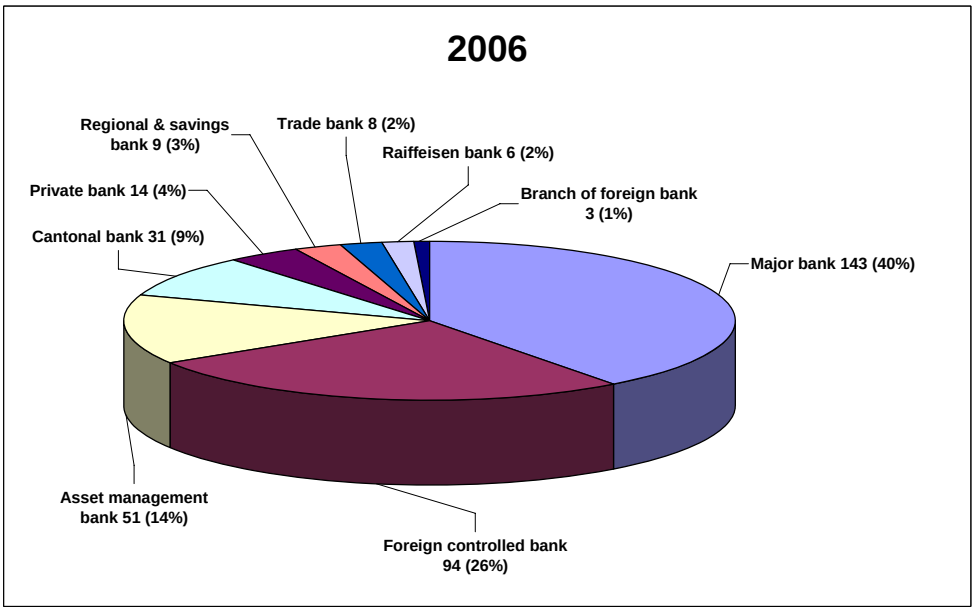
As in 2006, foreign-controlled banks were the second largest contributor of SARs, submitting 27% more SARs in 2007 than they did in 2006. This constitutes a reversal of last year's situation where they had submitted fewer reports than in 2005. This increase was nevertheless part of an overall increase in the number of SARs submitted observed during the 2007 reporting year. There was an increase in the number of mandatory SARs submitted by virtue of Art. 9 AMLA (26 more SARs) as well as attempted money laundering SARs submitted by virtue of Art. 24 FBC AMLO (8 more

SARs). However, MROS received fewer voluntary SARs (-9) submitted by virtue of Art. 305ter para. 2 SCC.

The significant increase in the number of SARs submitted by Raiffeisen (+217%) banks was mainly due to the implementation of a new electronic compliance system, which gave these banks the ability to screen their customers.

Apart from the private banks, (which submitted fewer SARs) and the regional & savings banks (which submitted exactly the same number of SARs as last year), all types of banks in the banking sector submitted more SARs to MROS in 2007 than they did in 2006.





For comparison: 2006/2007

Type of bank	2006	2007	+/-
Major bank	143	213	+70
Foreign-controlled bank	94	119	+25
Asset management bank	51	52	+1
Cantonal bank	31	41	+10
Trade bank	8	22	+14
Raiffeisen bank	6	19	+13
Regional & savings bank	9	9	0
Private bank	14	8	-6
Branch of foreign bank	3	8	+5
Other bank		1	+1
Total	**359**	**492**	**+133**

SARs received by type of bank

Type of SAR	Art. 9 AMLA		Art. 305ter para. 2 SCC		Art. 24 FBC AMLO in conjuntion with Art. 9 AMLA	
Type of bank	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**
Major bank	87	65	56	148	0	0
Foreign-controlled bank	71	97	22	13	1	9
Asset management bank	46	44	2	7	3	1
Cantonal bank	24	26	6	12	1	3
Private bank	10	6	1	2	3	0
Regional & savings bank	8	8	0	1	1	0
Trade bank	8	21	0	1	0	0
Raiffeisen bank	6	18	0	0	0	1
Branch of foreign bank	2	6	1	0	0	2
Other banks	0	0	0	1	0	0
Total	**262**	**291**	**88**	**185**	**9**	**16**

2.3.6 Factors arousing suspicion

What the chart represents

This chart shows what suspicions prompted financial intermediaries to submit SARs to MROS.

Chart analysis

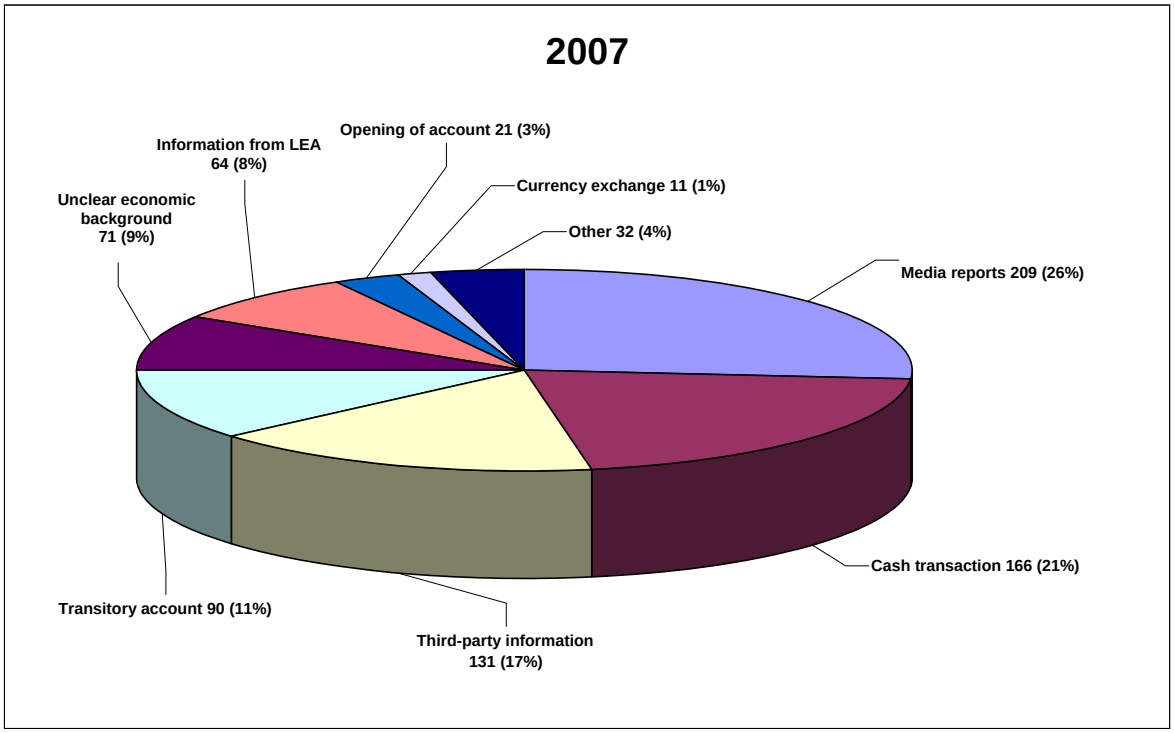
- *External indications and information were the number one factor triggering SARs.*
- *Increase in the number of SARs from the payment services sector led to a corresponding increase in the number of cases where cash transactions were cited as the factor arousing suspicion.*

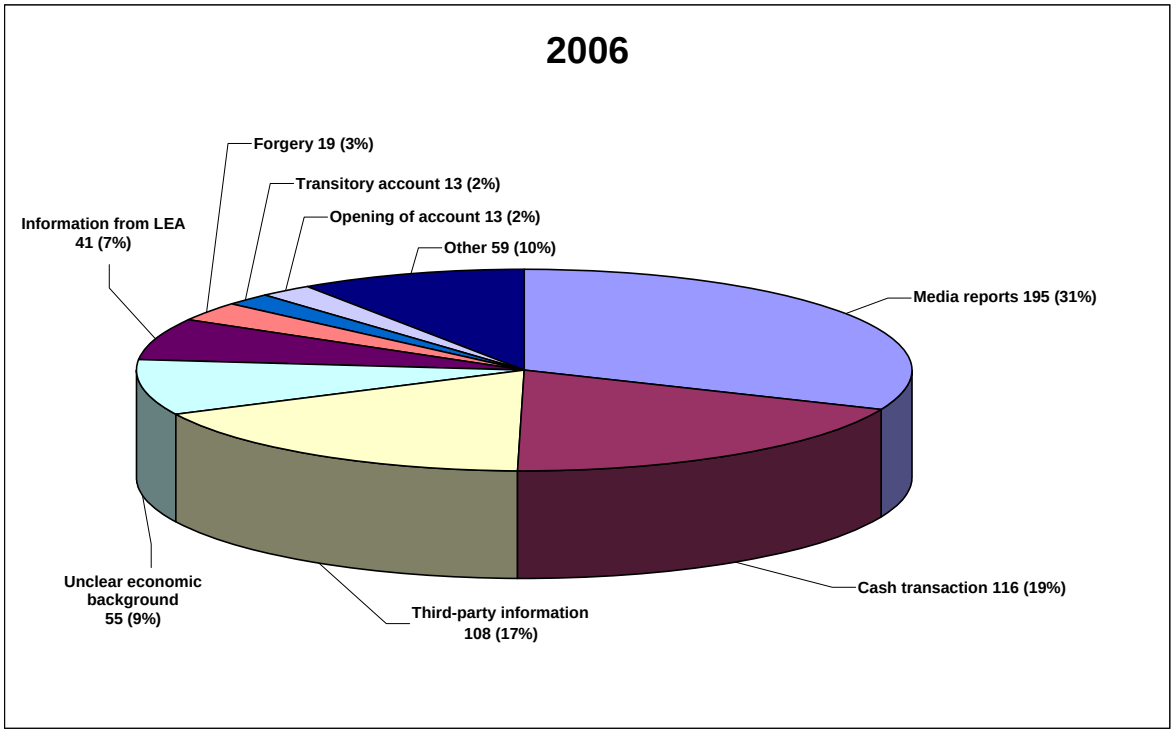
As in the previous year, information gleaned from the media was the number one factor arousing suspicion. It is interesting to note that in other countries, the names and details mentioned in newspaper reports enable financial intermediaries to trace the information back to their customers and clients, which may then give rise to an SAR. The "Cash transactions" category was the second most frequently observed factor arousing suspicion. This category was responsible for the increase in the number of SARs (50 more SARs than in 2006) that MROS received from the payment services sector. The influence of external indications and information is underscored by the importance of the "*Media", "Third-party information"* and *"Information from law enforcement agencies" (LEA)* categories. All in all, these three categories account for 51% of the total reporting volume in 2007 compared to 56% in 2006. Compared with last year, there was a massive increase in the "*Transitory account" category*. As it happens, this increase was due to four cases that related to the same circumstances. The intricate business connections in these cases had given rise to a large number of SARs.

Legend

Unclear economic background	The economic background of a transaction is either unclear or cannot be satisfactorily explained by the customer.
Information from LEA	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 cheque transaction, forgery, high-risk countries, currency exchange, securities, smurfing, life insurance, non-cash cashier transactions, fiduciary transactions, loan transactions, precious metals and various.





For comparison: 2006/2007

Factor arousing suspicion	2006	2007	+/-
Media reports	195	209	+14
Cash transaction	116	166	+50
Third-party information	108	131	+23
Transitory account	13	90	+77
Unclear economic background	55	71	+16
Information from LEA	41	64	+23
Opening of account	13	21	+8
Currency exchange	12	11	-1
Forgery	19	10	-9
Internal information	8	7	-1
Various	5	5	0
Cheque transaction	4	4	0
Securities	10	3	-7
Difficult countries	1	1	0
Precious metals	1	1	0
Audit/supervisory board	7	1	-6
Life insurance	2		-2
Loan transaction	7		-7
Trust activity	2		-2
Total	**619**	**795**	**+176**

2.3.7 Suspected predicate offences

What the chart represents

This chart shows the predicate offences that were *suspected* in the SARs that MROS forwarded to law enforcement agencies.

It should be noted that usage of the term "predicate offence" is not entirely accurate as it is based solely on the financial intermediary's assumption as well as on MROS's appreciation of the facts and information accompanying the financial intermediary's SAR. An act is only officially considered a "predicate offence" after a law enforcement agency receives the SAR and initiates criminal proceedings.

The *"Not classifiable"* category includes cases where a variety of possible predicate offences are suspected. The *"No plausibility"* category includes those cases that do not fall into any visible predicate offence category, although the analysis of the transaction or of the economic background cannot exclude the criminal origin of the money.

Chart analysis

- *SARs triggered by the suspected predicate offence "Fraud" remained stable and accounted for roughly one third of SARs received.*
- *Massive Increase in the predicate offence category "Bribery".*

For the second consecutive time, "Fraud" was the most frequently suspected predicate offence. Compared to the 2006 reporting year, this category accounted for 33% of all SARs submitted (34% in 2006).

The fact that fraud was the suspected predicate offence in one out of every three incoming SARs is quite remarkable. However, this category includes everything from big-time investment fraud to the widespread practice of deception involving Internet platform trading and advance-fee fraud. At the same time, both 2006 and 2007 saw a surge in the number of SARs from the banking sector where suspected fraud cases were prevalent: suspected fraud cases accounted for 42% of all banking sector SARs received by MROS in 2007 (43% in 2006).

Specific details were lacking in many of the SARs received from the payment services sector. This prevented MROS from sorting these SARs into suspected predicate offence categories. The ebb in SARs from this sector in the 2006 was followed by a flow in 2007 (nearly +41%). However, this did not change the fact that the "*Not classifiable"* category remains the second largest predicate offence category after "Fraud", as was the case in 2006.

The number of SARs falling in the “Bribery” category increased in 2007 (54 more SARs or +115%), allowing this category to hold on to its position as the third largest predicate offence. The increase was caused by two major corruption cases that drew considerable media attention worldwide. The very intricate business connections associated with these two cases generated a large number of SARs. In both corruption cases, the bribery took place outside of Switzerland and the illicitly obtained funds were deposited in a Swiss bank account. On this subject, it is worth mentioning that legally obtained funds used for bribery purposes may be reported only after the funds have been deposited in the bribery recipient’s account and only by the financial intermediary that manages the account. Until then, the funds do not meet the “criminal origin of funds” criteria set forth in Art. 9 AMLA and, therefore, are not yet sufficient grounds to justify a mandatory SAR.

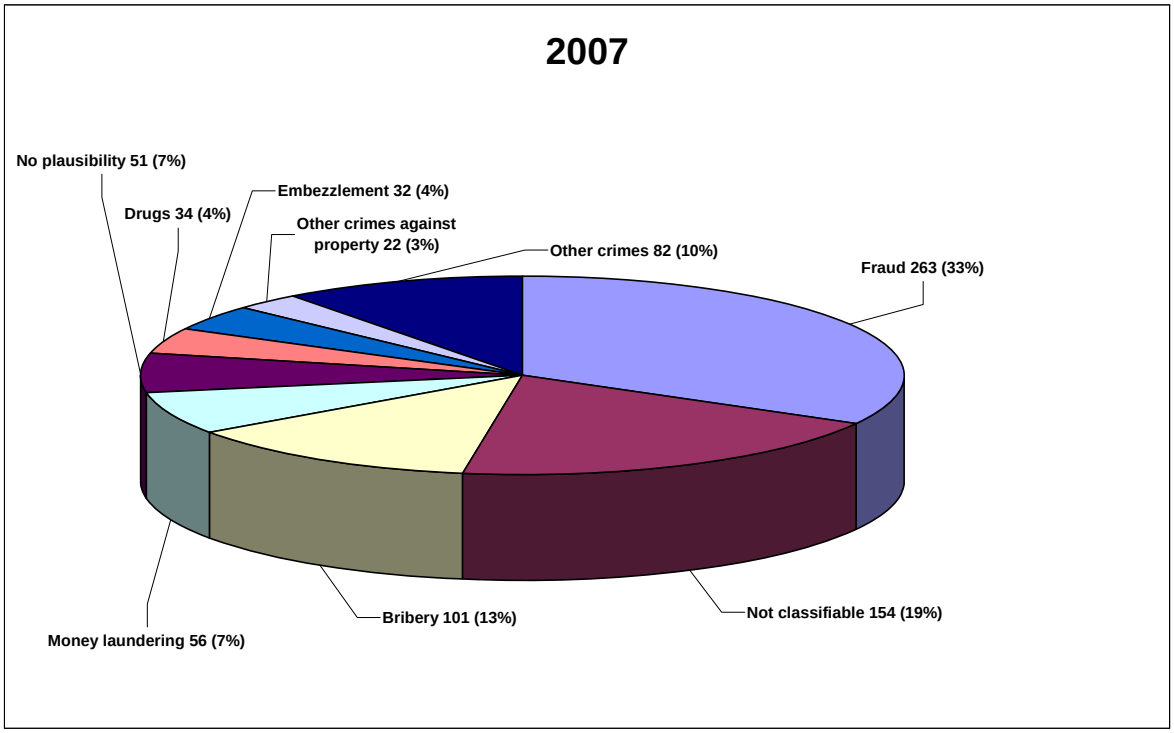
Of the total of 795 SARs that MROS received in 2007, 343 (i.e. just over 43% compared to 44% in 2006) gave rise to criminal proceedings for predicate offences to money laundering as defined in Title II of the Swiss Criminal Code. This is hardly surprising considering that this category also includes the category *"fraud"*.

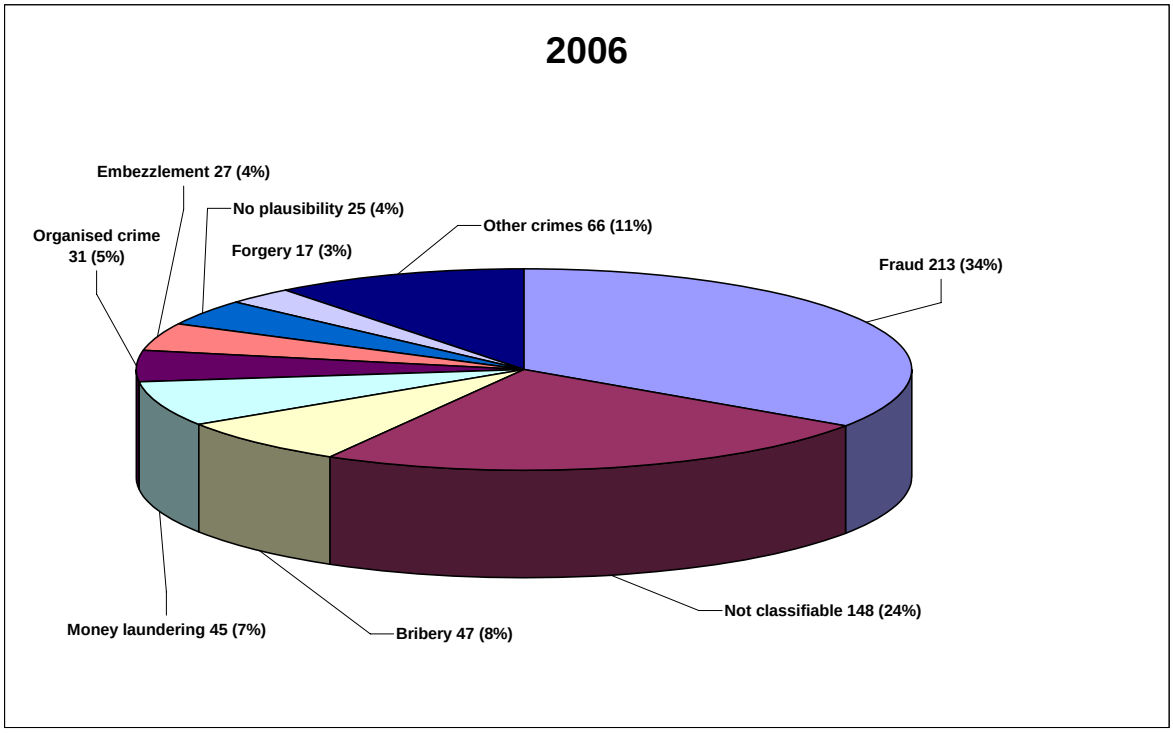
Other categories that underwent a shift in 2007 include *"No plausibility"* (from 25 to 51 SARs), *"Criminal organisation"* (from 31 to 20 SARs) and *"Drugs"* (from 14 to 34 SARs) and “Arms trafficking” (from 1 to 12 SARs with several SARs relating to the same case). It should be mentioned that most of the SARs falling under the *"Criminal organisation"* category were triggered by media reports that did not mention any other predicate offence to money laundering.

The 56 SARs (45 SARs in 2006) classified directly under the *"Money laundering"* category were not actually considered by MROS as definitive predicate offences to money laundering but rather as plausible cases due to their similarity with the methods and approaches normally associated with money laundering.

The number of SARs that MROS assigned to the *"Document forgery"* category fell from 17 SARs in 2006 to 10 SARs in 2007 (-41%). It should be pointed out, however, that this offence alone does not qualify assets as being illicit and therefore does not justify the submission of a mandatory SAR by virtue of Art. 9 AMLA. This category is considered as a predicate offence that may potentially yield illicitly gained assets (e.g. forged cheques or bank guarantees).

The remaining categories did not show any notable shifts and, considering the number of incoming SARs, remained more or less at the same levels as in 2006.


2007
No plausibility 51 (7%)
Drugs 34 (4%)
Embezzlement 32 (4%)
Other crimes against property 22 (3%)
Other crimes 82 (10%)
Fraud 263 (33%)
Money laundering 56 (7%)
Bribery 101 (13%)
Not classifiable 154 (19%)


2006
Embezzlement 27 (4%)
No plausibility 25 (4%)
Organised crime 31 (5%)
Forgery 17 (3%)
Other crimes 66 (11%)
Fraud 213 (34%)
Money laundering 45 (7%)
Bribery 47 (8%)
Not classifiable 148 (24%)

For comparison: 2006/2007

Suspected predicate offence	2006	2007	+/-
Fraud	213	263	+50
Not classifiable	148	154	+6
Bribery	47	101	+54
Money laundering	45	56	+11
No plausibility	25	51	+26
Drugs	14	34	+20
Embezzlement	27	32	+5
Other crimes against property	13	22	+9
Dishonest business management	11	21	+10
Organised crime	31	20	-11
Arms trafficking	1	12	+11
Forgery	17	10	-7
Terrorism	8	6	-2
Theft	8	4	-4
Other crimes	9	3	-6
Sexual crimes		3	+3
Insufficient diligence in financial transactions	1	1	0
Violent crime		1	+1
Robbery		1	+1
Blackmail	1		-1
Total	**619**	**795**	**+176**

2.3.8 Domicile of clients

What the chart represents

This chart shows the physical or corporate domicile of the clients mentioned in financial intermediary SARs.

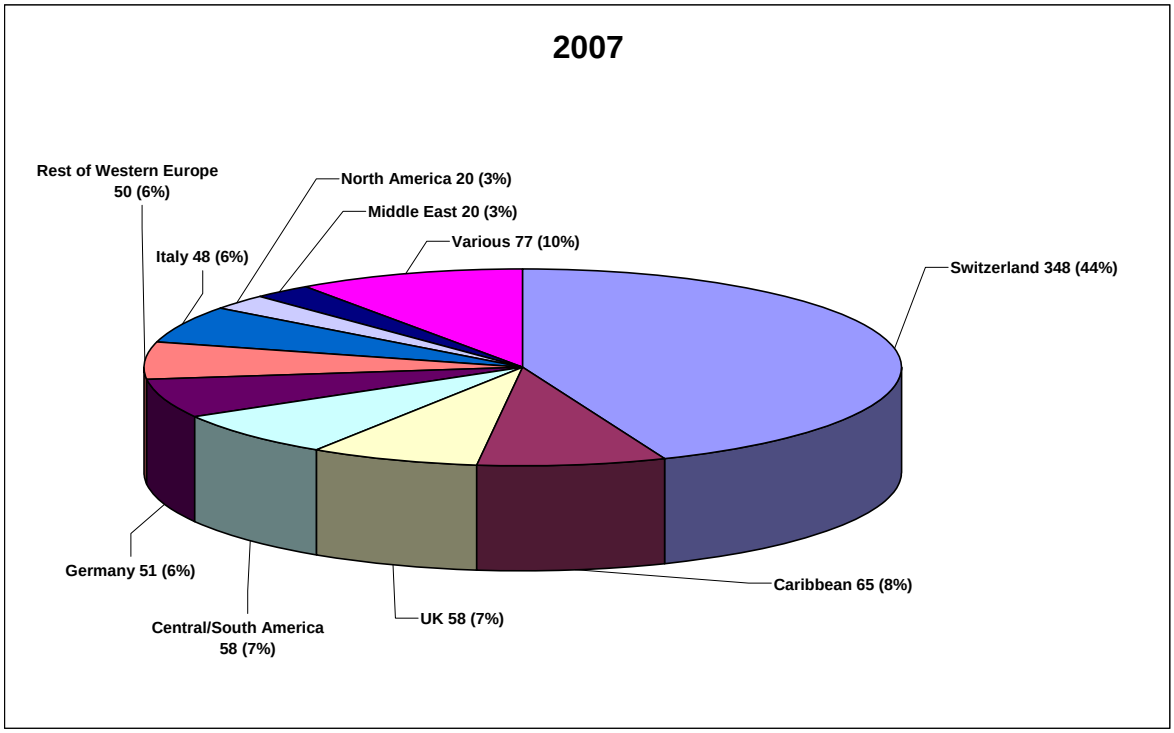
Chart analysis

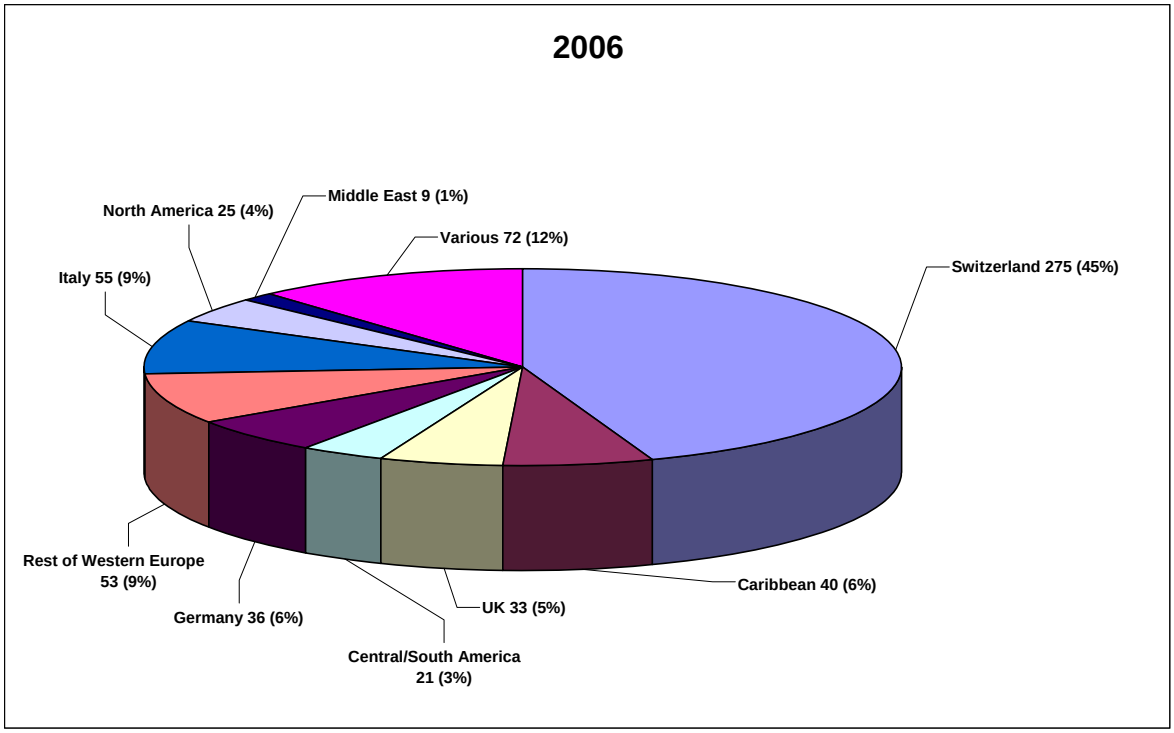
- *Very little change in the proportion of Swiss-based clients mentioned in incoming SARs.*
- *Slight decrease in the proportion of clients based in Western Europe mentioned in incoming SARs.*

In 2007, nearly 44% (nearly 45% in 2006) of incoming SARs referred to financial intermediary clients whose physical or corporate domicile was located in Switzerland. Unlike in previous years, the proportion of Swiss-based clients no longer decreased but practically remained the same as in 2006. This is undoubtedly due to the change in trend observed in the payment services sector (i.e. a sector whose services are mainly used by Swiss-based clients), where the gradual decline in the number of SARs observed in previous reporting years halted and began its upward ascent in 2007. Although the number of SARs referring to natural persons and legal entities based in Western Europe (including UK and Scandinavia) increased from 192 in 2006 to 233 in 2007, the overall proportion that this category held with respect to the total number of SARs actually decreased (from 31% in 2006 to 29% in 2007). The number of clients domiciled in the Caribbean (mainly legal entities) as well as in Central and South America (mainly natural persons) increased in 2007. Unlike 2006, the number of Italian-based clients (both natural persons and legal entities) decreased slightly.

Legend

Rest of Western Europe	Austria, Belgium, Spain, Liechtenstein, Greece, Luxembourg, Malta, Monaco, Netherlands, Portugal and San Marino
Various	France, Africa, Eastern Europe, Middle East, CIS, Australia/Oceania, Scandinavia and Unknown


2007
Rest of Western Europe 50 (6%)
North America 20 (3%)
Middle East 20 (3%)
Various 77 (10%)
Italy 48 (6%)
Switzerland 348 (44%)
Germany 51 (6%)
Caribbean 65 (8%)
Central/South America 58 (7%)
UK 58 (7%)


2006
North America 25 (4%)
Middle East 9 (1%)
Various 72 (12%)
Italy 55 (9%)
Switzerland 275 (45%)
Rest of Western Europe 53 (9%)
Caribbean 40 (6%)
Germany 36 (6%)
UK 33 (5%)
Central/South America 21 (3%)

For comparison: 2006 / 2007

Domicile of client	2006	2007	+/-
Switzerland	275	348	+73
Caribbean	40	65	+25
UK	33	58	+25
Central/South America	21	58	+37
Germany	36	51	+15
Rest of Western Europe	53	50	-3
Italy	55	48	-7
North America	25	20	-5
Middle East	9	20	+11
Asia	26	19	-7
France	12	18	+6
Africa	8	12	+4
Eastern Europe	14	9	-5
Scandinavia	3	8	+5
Australia/Oceania	1	7	+6
CIS	7	3	-4
Unknown	1	1	0
Total	**619**	**795**	**+176**

2.3.9 Nationality of clients

What the chart represents

This chart shows the nationality of financial intermediary clients. While it is possible for a natural person's nationality to differ from his/her domicile, no such distinction exists between the nationality and domicile of a legal entity.

Chart analysis

- *Slight increase both in absolute and relative terms for SARs mentioning clients who were Swiss nationals or Swiss-based natural persons/legal entities.*
- *Decrease in the proportion of SARs referring to financial intermediary clients who were European nationals or European-based natural persons/legal entities.*

As to be expected, the category comprising financial intermediary clients who are Swiss nationals or Swiss-based natural persons/legal entities can be found at the top of the table. This category accounts for nearly 33% of the total number of SARs submitted to MROS in 2007 as opposed to 30% in 2006. This increase was due to the revival of SARs from the payment services sector, whose services are predominantly used by Swiss-based natural persons, which quite naturally include a large proportion of Swiss nationals.

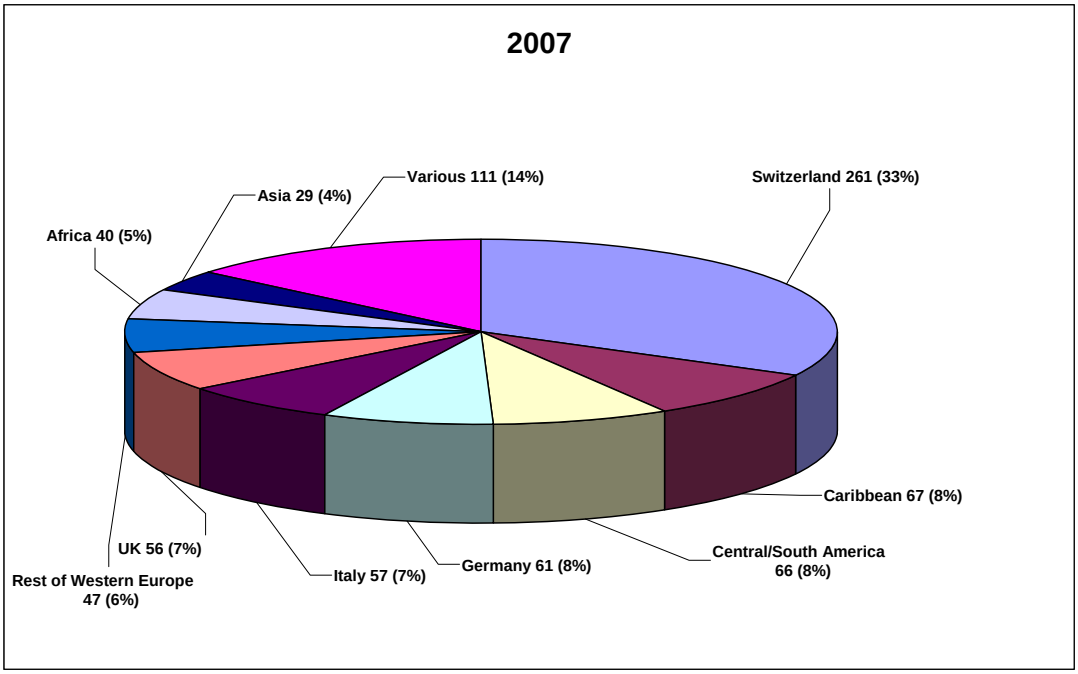
The proportion of SARs referring to Caribbean nationals and Caribbean-based offshore companies (no distinction exists between domicile and nationality for legal entities) decreased from 11% of the total number of incoming SARs in 2006 to 7% in 2007. This category of SARs was closely followed by Central and South American nationals, whose proportion increased from 3% in 2006 to 8% in 2007. This increase is explained by the fact that MROS received several repeated SARs from financial intermediaries referring to the same clients and relating to the same case.

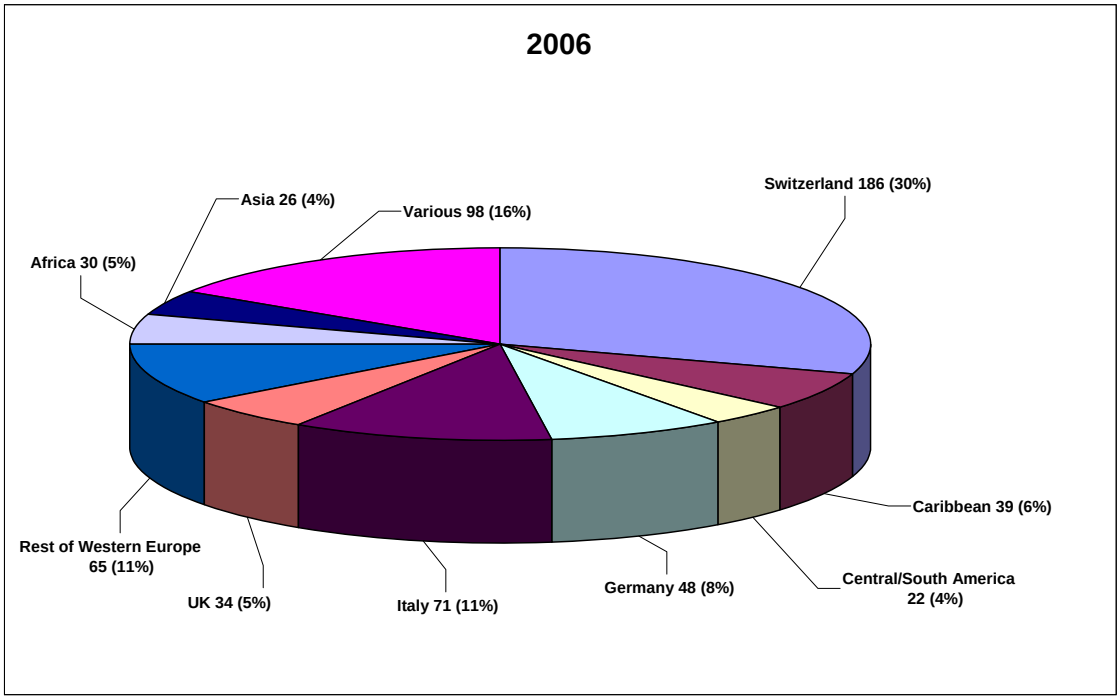
The number of SARs referring to European nationals increased from 452 in 2006 to 534 in 2007. Despite this increase in absolute terms, the overall proportion that this category represented in the total number of incoming SARs actually decreased from 73% in 2006 to 67% in 2007, which is comparable to the 2005 reporting year. For this calculation, MROS does not take into account nationalities from CIS states that may be considered part of Europe.

All in all, these findings reflect the pattern described in Chapter 2.3.8. This implies that most of the financial intermediary clients referred to in the SARs had the same nationality and domicile. The comments made in Chapter 2.3.8 also apply in this case.

Legend

Rest of Western Europe	Austria, Belgium, Spain, Liechtenstein, Greece, Luxembourg, Malta, Netherlands, Portugal and San Marino
Various	North America, Central/South America, France, Middle East, CIS, Australia/Oceania, Scandinavia and Unknown





For comparison: 2006 / 2007

Nationality of client	2006	2007	+/-
Switzerland	186	261	+75
Caribbean	39	67	+28
Central/South America	22	66	+44
Germany	48	61	+13
Italy	71	57	-14
UK	34	56	+22
Rest of Western Europe	65	47	-18
Africa	30	40	+10
Asia	26	29	+3
Eastern Europe	25	24	-1
North America	24	23	-1
Middle East	16	22	+6
France	19	19	0
Scandinavia	4	9	+5
CIS	8	8	0
Australia/Oceania	1	6	+5
Unknown	1		-1
Total	**619**	**795**	**+176**

2.3.10 Domicile of beneficial owners

What the chart represents

This chart shows the domicile of the natural persons or legal entities that were identified as beneficial owners of assets at the time the SARs were submitted to MROS.

Chart analysis

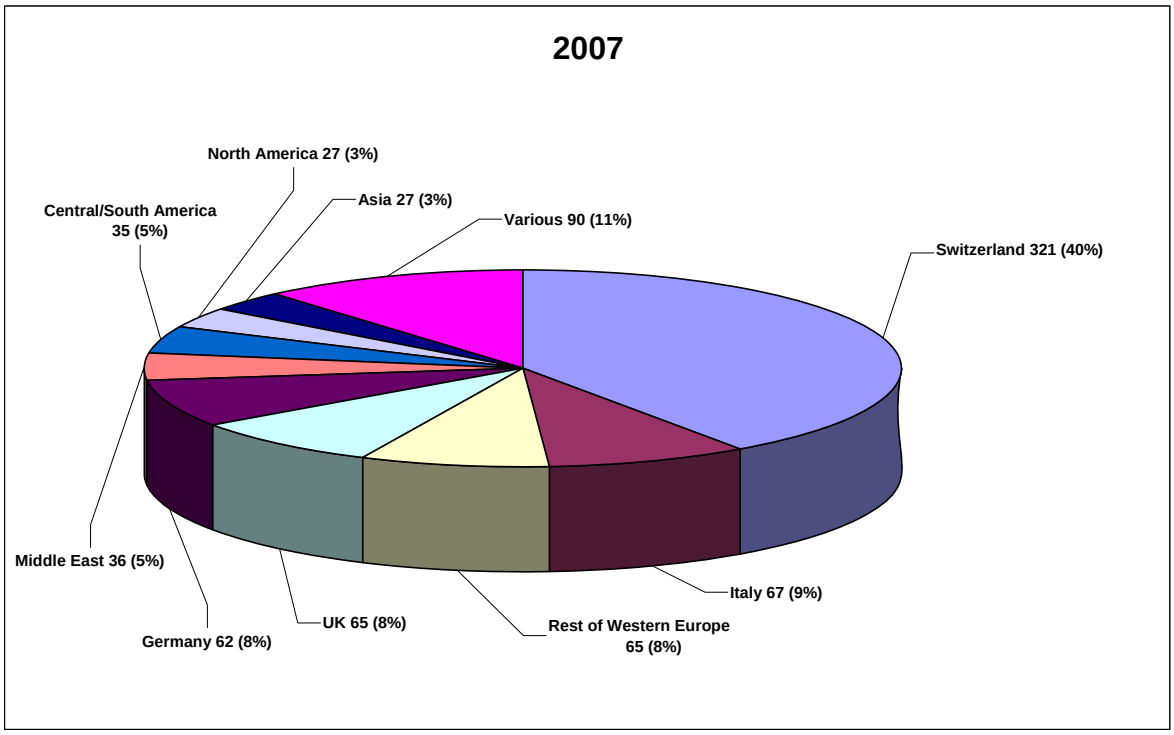
- *Absolute and relative increase in the number of SARs referring to Swiss-based beneficial owners.*
- *Decrease in the proportion of SARs referring to Italian-based beneficial owners.*
- *Proportion of SARs referring to European-based beneficial owners remained stable.*

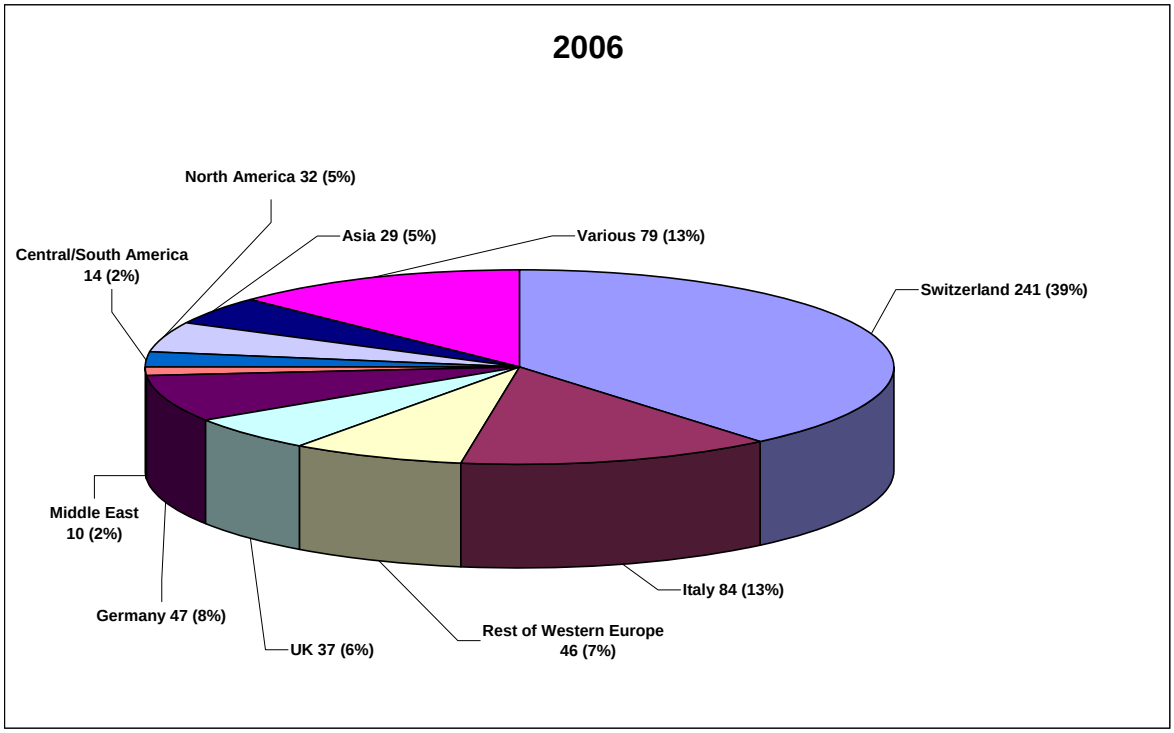
In the 2007 reporting year, 80% of all incoming SARs referred to European-based beneficial owners (excl. CIS states considered part of Europe). Despite a noticeable general increase in SAR reporting volume, the proportion remained comparable to 2006 (81%), which had a higher reporting volume with respect to 2005. If we exclude Swiss-based beneficial owners from the category of beneficial owners whose physical or corporate domicile is located in Europe, then it can be said that the proportion of European-based beneficial owners fell slightly from 42% of the total reporting volume in 2006 to 40% in 2007.

As was observed for the *"Domicile of clients" statistic (Chapter 2.3.8)*, the proportion of incoming SARs referring to Swiss-based beneficial owners increased slightly from nearly 39% in 2006 to 40% in 2007, making it the largest domicile category. As in previous years, the second largest category comprised beneficial owners whose physical or corporate domicile is in Italy. In 2007, MROS received SARs referring to several beneficial owners whose names had frequently been mentioned in Italian press reports. The disproportionate increase in the number of incoming SARs referring to UK-based beneficial owners from 37 SARs in 2006 to 65 SARs in 2007 (+76%) was the result of several interrelated SARs that came from a single financial intermediary. The same financial intermediary was also responsible for the increase in the number of SARs referring to beneficial owners domiciled in the Middle East and Scandinavia. As it happens, these beneficial owners were part of an intricate web of business connections that all triggered separate SARs.

Legend

Rest of Western Europe	Austria, Belgium, Spain, Liechtenstein, Greece, Luxembourg, Netherlands, Portugal and San Marino
Various	Africa, Middle East, CIS, Central/South America, Australia/Oceania, Caribbean, Scandinavia and Unknown





For comparison: 2006 - 2007

Domicile beneficial owner	2006	2007	+/-
Switzerland	241	321	+80
Italy	84	67	-17
Rest of Western Europe	46	65	+19
UK	37	65	+28
Germany	47	62	+15
Middle East	10	36	+26
Central/South America	14	35	+21
North America	32	27	-5
Asia	29	27	-2
France	18	23	+5
Scandinavia	4	21	+17
Africa	17	21	+4
Eastern Europe	22	13	-9
CIS	15	7	-8
Australia/Oceania	1	2	+1
Caribbean	1	2	+1
Unknown	1	1	0
Total	**619**	**795**	**+176**

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 at the time the SARs were submitted to MROS. While no distinction is drawn between the nationality and domicile of legal entities, often the identity and nationality of the actual beneficial owners of these legal entities can only be determined by law enforcement agencies.

Chart analysis

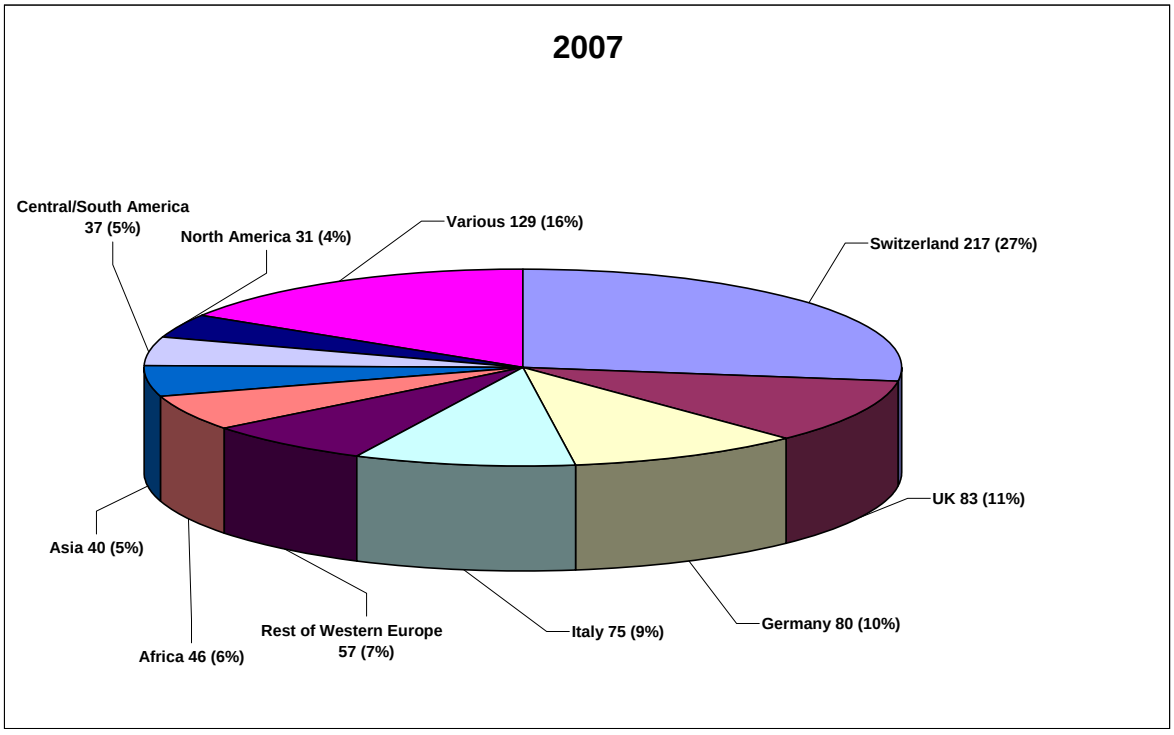
- *Increase in the number of SARs mentioning Swiss nationals as beneficial owners.*
- *Slight decrease in the number of SARs mentioning European nationals as beneficial owners.*

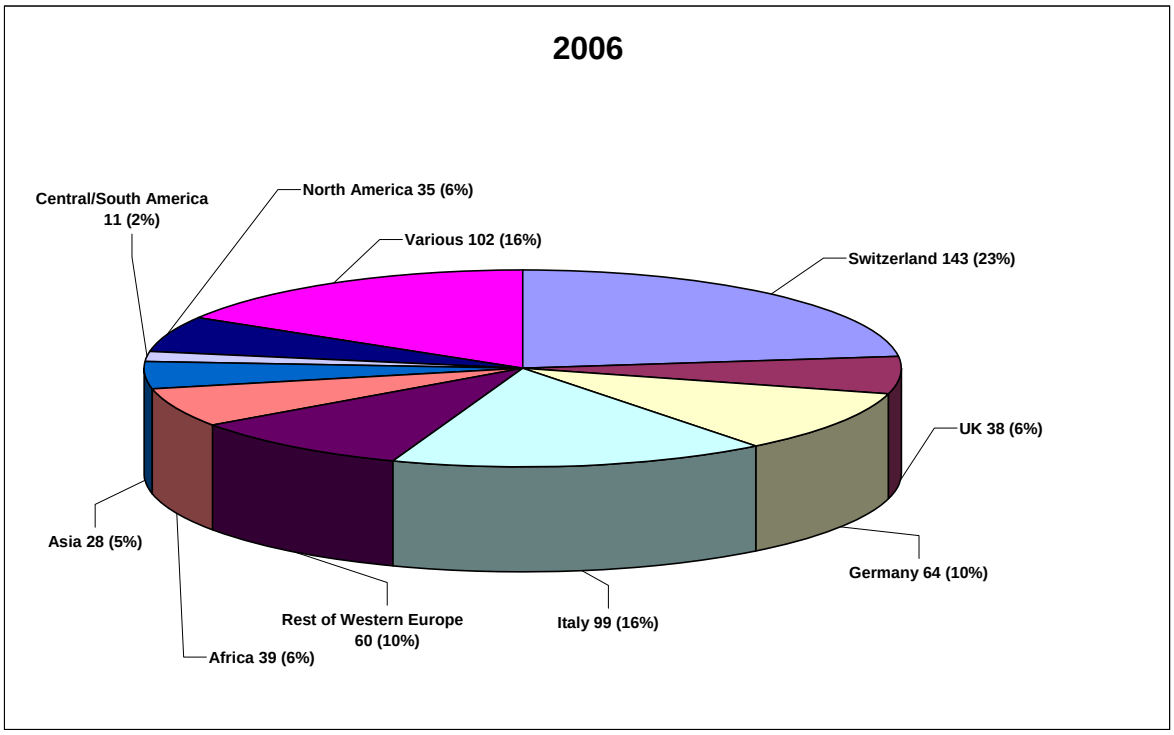
As in the 2006 reporting year, European nationals (excl. CIS states considered part of Europe) constitute the largest category of beneficial owners. Despite the significant increase in the number of incoming SARs, the proportion that this category represents in the total reporting volume actually decreased from 76% in 2006 to 74% in 2007. As could be expected, Swiss nationals can be found at the top of the table. Representing 23% of all incoming SARs in 2006, this category increased to 27% in 2007. Italian nationals, which used to be the second largest category, fell from 16% in 2006 to 9% in 2007. The Italian national category was surpassed by the UK nationals' category (which increased from over 6% in 2006 to over 10% in 2007) and German nationals category (which accounted for 10% of all incoming SARs in both 2006 and 2007). This change can be explained by the fact that the country of domicile and nationality of the beneficial owners match in most of the SARs. The explanations given in Chapter 2.3.10 also apply in this case.

If we compare the other categories of beneficial owners referred to in the SARs that MROS has received over the past few reporting years, there have not been any major unexplainable differences. A comparison of the previous chapters *2.3.8 Domicile of clients*, *2.3.9 Nationality of clients*, *2.3.10 Domicile of beneficial owners* and *2.3.11 Nationality of beneficial owners* is quite enlightening as in many cases the outcomes are quite similar.

Legend

Rest of Western Europe	Austria, Belgium, Spain, Liechtenstein, Greece, Luxembourg, Netherlands, Malta and Portugal
Various	France, Middle East, CIS, Central/South America, Australia/Oceania, Caribbean, Scandinavia and Unknown





For comparison: 2006 - 2007

Nationality economic beneficiary	2006	2007	+/-
Switzerland	143	217	+74
UK	38	83	+45
Germany	64	80	+16
Italy	99	75	-24
Rest of Western Europe	60	57	-3
Africa	39	46	+7
Asia	28	40	+12
Central/South America	11	37	+26
North America	35	31	-4
France	27	30	+3
Eastern Europe	35	28	-7
Middle East	16	27	+11
Scandinavia	5	21	+16
CIS	16	17	+1
Caribbean		4	+4
Australia/Oceania	2	2	0
Unknown	1		-1
Total	**619**	**795**	**+176**

2.3.12 Forwarded SARs

What the chart represents

This chart shows where MROS forwarded the SARs it received from financial intermediaries. The choice of law enforcement agency depends on the nature of the offence. Art. 336 et seq. (federal jurisdiction) and Art. 339 et seq. (cantonal jurisdiction) SCC serve as the frame of reference.

Chart analysis

- *Slightly lower proportion of forwarded SARs.*
- *Peak in the number of SARs forwarded to federal law enforcement agencies.*
- *Fewer SARs forwarded to cantonal law enforcement agencies.*

MROS received a total of 795 SARs (619 SARs in 2006) in 2007. Following careful analysis, MROS forwarded 624 of these SARs (508 SARs in 2006) to law enforcement agencies. In other words, the proportion of forwarded SARs stands at 78% (compared to around 82% in 2006). Unlike the 2006 reporting year, but similar to the reporting years prior to 2006, the proportion of forwarded SARs once again declined slightly. As it happens, MROS forwarded a lower proportion of SARs from both the banking and payment services sectors in 2007 than it did in 2006. Here, we should point out that a much higher proportion of SARs from the banking sector (91% in 2007; 94% in 2006) were forwarded to law enforcement agencies than from the payment services (52% in 2007; 57% in 2006). This was due to the fact that banks have a closer relationship with their clients than payment service providers. The nature of banking activities also enables the banking sector to provide a greater degree of precision in their SARs than the payment service sector is able to provide. From our standpoint, the quality of SARs from the payment services sector has further deteriorated with respect to the previous year and is far inferior to the quality of SARs received from the banking sector. Generally speaking, it can be said that the proportion of forwarded SARs exceeds the average proportion (76%) from past years and is, therefore, quite high.

Never before has MROS forwarded so many SARs to the Office of the Attorney General of Switzerland (OAG). Article 337 of the Swiss Criminal Code gives the OAG jurisdiction over all matters relating to terrorist financing, money laundering, corruption and international organised crime where the offences have a connection abroad or where the offences were committed in several cantons but no canton in particular. In 2007, MROS forwarded practically half of all of SARs to the federal law enforcement agencies; in absolute terms, 304 SARs (i.e. 49% of the total number of forwarded SARs) went to the OAG. Both the proportion and number of SARs forwarded to OAG were unprecedented, reaching levels unheard of since the Anti-Money Laundering Act came into effect and the Efficiency Bill was enacted. This massive increase was the

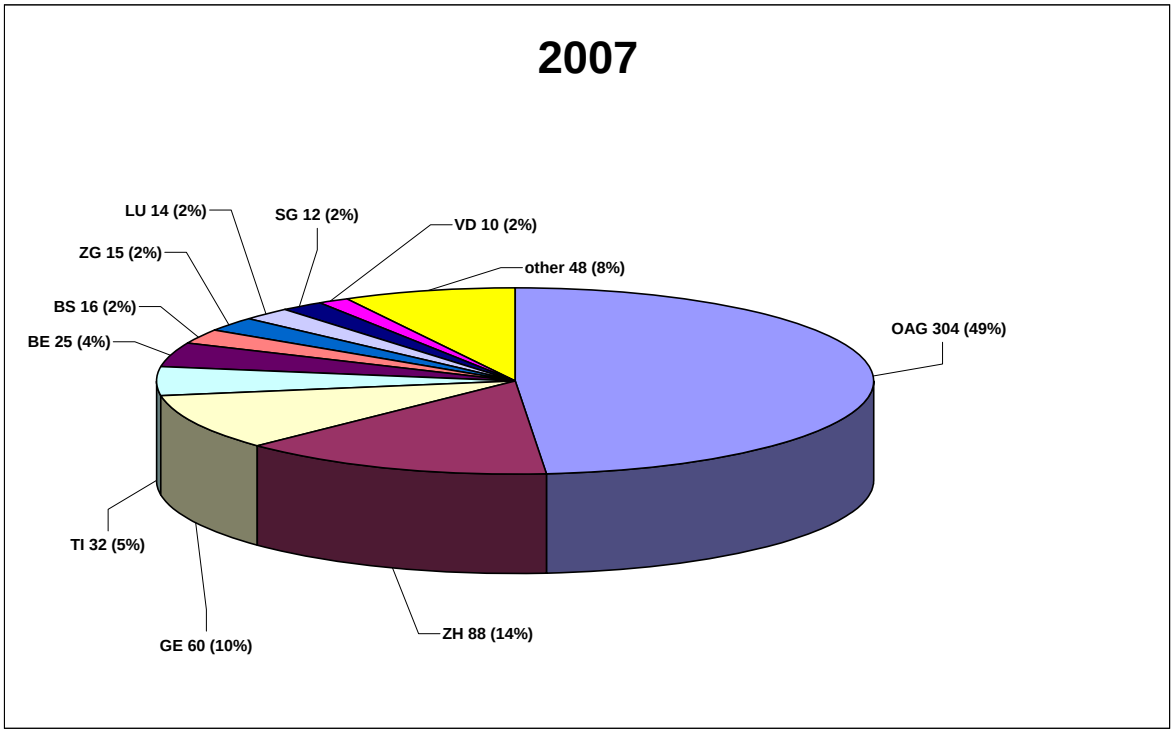
result of several complex cases involving intricate business connections, all relating to the same context, which generated a large number of SARs.

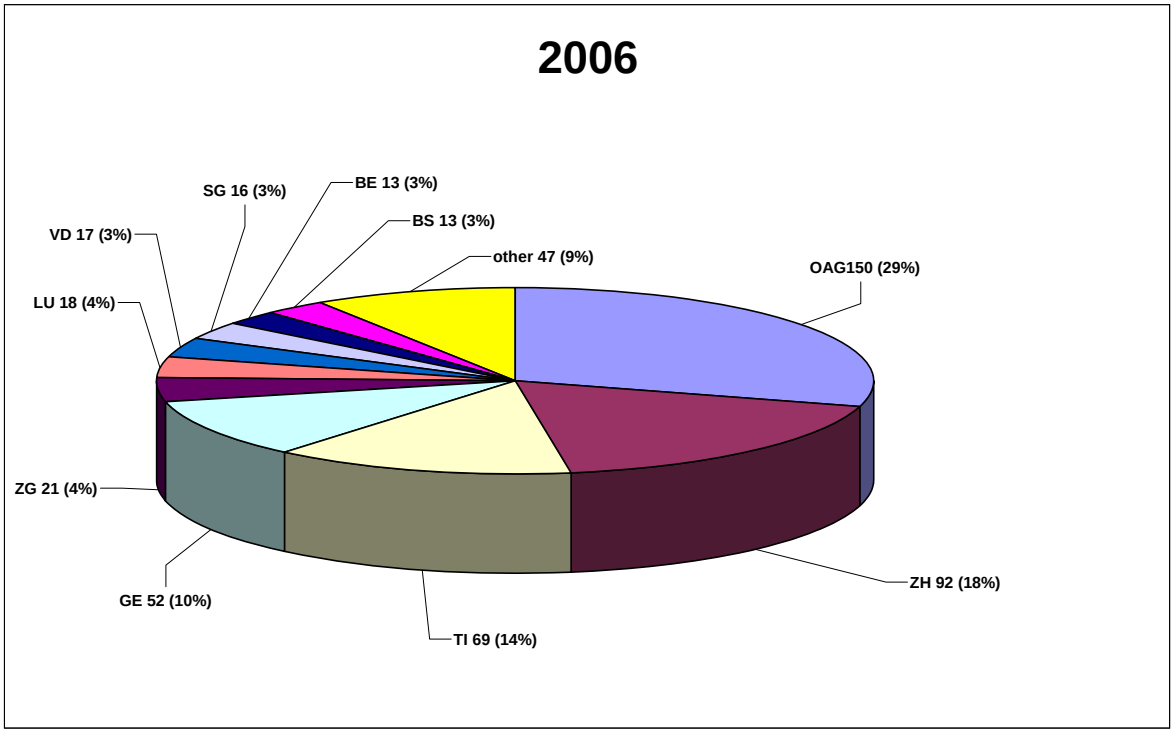
MROS forwarded the remaining 320 SARs to 22 cantonal law enforcement agencies. The most noteworthy development was the fall in the number of SARs forwarded to law enforcement agencies from the canton of Ticino compared to the 2006 reporting year where there had been a considerable increase. As a result of this decrease, the canton of Ticino is no longer the third largest category (after the canton of Zurich), but rather the fourth largest, after the canton of Geneva. If we consider tables *2.3.2 Home canton of reporting financial intermediary* and *2.3.3. Location of suspicious business connection,* we find that there are no major changes as far as the canton of Ticino is concerned. The reduction has more to do with the fact that many of the SARs submitted fell under federal rather than cantonal jurisdiction. The number of SARs forwarded to the Bern cantonal law enforcement agencies increased (12 more SARs in 2007 than in 2006), which corresponds to the increase observed in the number of SARs that MROS received from financial intermediaries in this canton as well as the number of business connections.

In 2007, MROS did not forward any SARs to law enforcement agencies in the half-cantons of Nidwalden, Obwalden and Appenzell Ausserrhoden nor in the canton of Jura. This may be explained by the fact that almost no SARs were submitted to MROS from financial intermediaries in these locations (see Chapters *2.3.2* and *2.3.3* above).

Legend

AG	Aargau	GL	Glarus	SO	Solothurn
AI	Appenzell Innerrhoden	GR	Graubünden	SZ	Schwyz
AR	Appenzell Ausserrhoden	JU	Jura	TG	Thurgau
BE	Bern	LU	Lucerne	TI	Ticino
BL	Basel-Landschaft	NE	Neuchâtel	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


2007
LU 14 (2%)
SG 12 (2%)
VD 10 (2%)
ZG 15 (2%)
other 48 (8%)
BS 16 (2%)
BE 25 (4%)
OAG 304 (49%)
TI 32 (5%)
GE 60 (10%)
ZH 88 (14%)


2006
SG 16 (3%)
BE 13 (3%)
VD 17 (3%)
BS 13 (3%)
other 47 (9%)
OAG150 (29%)
LU 18 (4%)
ZG 21 (4%)
ZH 92 (18%)
GE 52 (10%)
TI 69 (14%)

For comparison 2006/2007

Canton	2006	2007	+/-
OAG	150	304	+154
ZH	92	88	-4
GE	52	60	+8
TI	69	32	-37
BE	13	25	+12
BS	13	16	+3
ZG	21	15	-6
LU	18	14	-4
SG	16	12	-4
VD	17	10	-7
BL	4	10	+6
AG	13	8	-5
VS	5	5	0
FR	4	4	0
SZ	5	3	-2
NE	4	3	-1
TG	4	3	-1
GL		3	+3
AI		3	+3
SO	4	2	-2
GR	3	2	-1
SH		1	+1
UR		1	+1
JU	1		-1
Total	**508**	**624**	**+116**

2.3.13 Status of forwarded SARs

What the chart represents

This chart shows the current status of the SARs that were forwarded to federal and cantonal law enforcement agencies. It is important to note that MROS only began gathering statistics on SARs forwarded to the OAG in January 2002, when federal law enforcement agencies were given jurisdiction over organised and economic crime by virtue of Art. 336 et seq. SCC (i.e. following enactment of the Efficiency Bill).

Chart analysis

- *Nearly 42% of all SARs forwarded to law enforcement agencies since 1998 are still pending.*

By virtue of Art. 23 para. 4 AMLA, MROS determines which SARs should be forwarded to which law enforcement agencies (i.e. cantonal or federal). The 2007 reporting year is therefore the fourth time that MROS presents an overview of the decisions reached by federal and cantonal law enforcement agencies as well as an update on the number of SARs that are still pending.

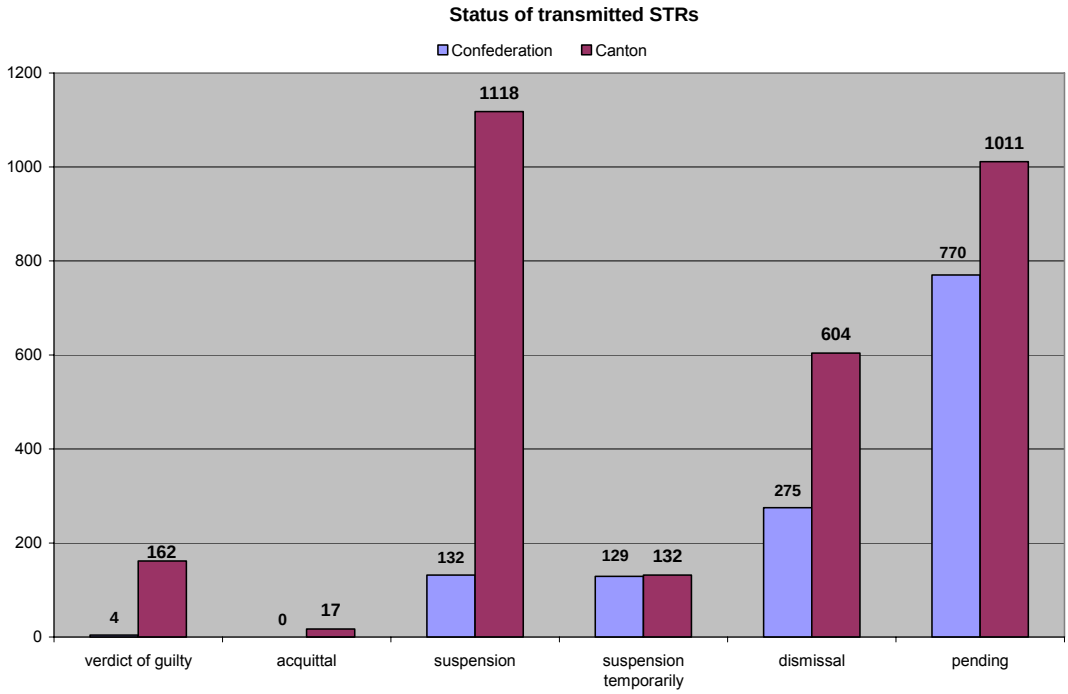
From 1 April 1998 to 31 December 2007, MROS forwarded a total of 4,354 SARs to law enforcement agencies. By the end of the 2007 reporting year, decisions had been reached for 2,573 of these SARs (59%). These decisions are described below:

- 183 SARs (at the end of 2006: 140 SARs) led to a conviction.
- 1,250 SARs (at the end of 2006: 1,028) led to the initiation of criminal proceedings that were later suspended after criminal investigations revealed insufficient evidence of wrongdoing.
- 879 SARs (at the end of 2006: 714) led to the procedure being dismissed after preliminary investigations revealed insufficient evidence of wrongdoing. These dismissals related mainly to SARs that MROS had received from the payment services sector (money transmitters).
- 261 SARs (at the end of 2006: 201) led to the initiation of criminal proceedings that were later stayed after it was ascertained that criminal proceedings had already been initiated outside of Switzerland for the same case.

Although the number of forwarded SARs that are still pending has decreased since 2006, the proportion is still quite high: 1,781 SARs (nearly 41% at the end of 2007 compared to around 44% at the end of 2006). It is difficult to draw quick conclusions due to the many – possibly concomitant – factors:

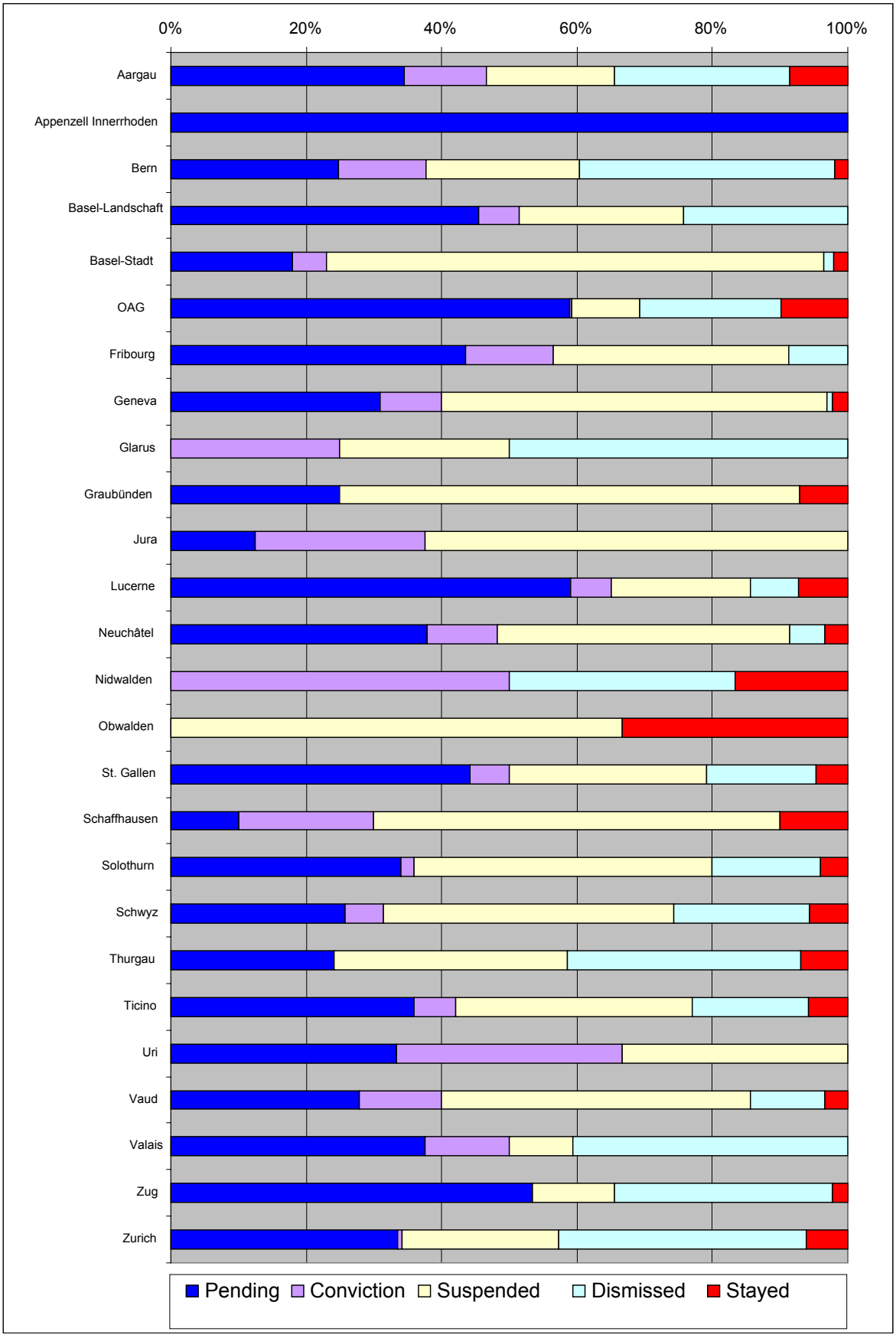
- Money laundering and terrorist financing cases often have international connections and the resulting international investigations tend to be tediously protracted and difficult.
- Experience has shown that mutual legal assistance tends to be a very laborious and time-consuming affair.
- Some of the pending SARs have apparently already led to a conviction but MROS has not yet been notified of this fact because Art. 29 para. 2 AMLA only requires cantonal authorities to provide MROS with updates on pending SARs that relate specifically to Art. 260ter para. 1 (criminal organisation), 305bis (money laundering) or 305ter (lack of due diligence) SCC.

As was also the case in 2006, law enforcement agencies do not always fulfil their obligations under Art. 29 para. 2 AMLA.[5]



[5] For more details, see Chapter 5.8. below

Status of forwarded SARs by canton



Status of forwarded SARs by canton

Canton	Decision on SAR still pending	Conviction	Procedure suspended	Procedure dismissed	Procedure stayed	Total
Aargau	20	7	11	15	5	58
Appenzell IR	3					3
Bern	50	26	46	76	4	202
Basel-Landschaft	15	2	8	8		33
Basel-Stadt	25	7	102	2	3	139
OAG	772	4	132	275	129	1312
Fribourg	10	3	8	2		23
Geneva	222	64	409	6	16	717
Glarus		2	2	4		8
Graubünden	7		19		2	28
Jura	1	2	5			8
Lucerne	49	5	17	6	6	83
Neuchâtel	22	6	25	3	2	58
Nidwalden		3		2	1	6
Obwalden			2		1	3
St. Gallen	38	5	25	14	4	86
Schaffhausen	1	2	6		1	10
Solothurn	17	1	22	8	2	50
Schwyz	9	2	15	7	2	35
Thurgau	7		10	10	2	29
Ticino	124	21	121	59	20	345
Uri	1	1	1			3
Vaud	25	11	41	10	3	90
Valais	12	4	3	13		32
Zug	48		11	29	2	90
Zurich	303	5	209	330	56	903
Total	**1781**	**183**	**1250**	**879**	**261**	**4354**

2.3.14 Number of inquiries MROS received from foreign FIUs

Financial intelligence units (FIUs) are MROS-equivalent agencies in other countries with which MROS formally exchanges information by virtue of Art. 32 AMLA and Art. 13 MROS Ordinance. This exchange of information mainly takes place between the member states of the Egmont Group[6] and is an important instrument in the fight against money laundering.

When MROS receives an inquiry from a foreign FIU, it runs a computer check on the natural person or legal entity to see whether their name is already listed in existing databases. The natural person's or legal entity's details are then entered into MROS' own money laundering database (GEWA database). MROS checks the names of all natural persons or legal entities mentioned in the SARs it receives from Swiss financial intermediaries. If a name is found in the GEWA database, then MROS knows that the natural person or legal entity in question is already suspected of possible criminal activity abroad.

What the chart represents

This chart shows which FIUs submitted inquiries to MROS. It also indicates how many natural persons and legal entities were mentioned in these inquiries.

Chart analysis

- *Approximately 11% decrease in the number of natural persons and legal entities mentioned in foreign FIU inquiries.*

In the 2007 reporting year, MROS received 368 inquiries from FIUs in 55 countries. This number is considerably lower than in 2006 (467 inquiries). There was a corresponding decrease (-11%) in the number of natural persons and legal entities mentioned: 1,510 natural persons/legal entities in 2007 compared to 1,693 in 2006. Only the inquiries MROS received from the UK increased noticeably in the reporting year (19 more inquiries).

MROS was forced to reject a certain number of FIU inquiries on formal grounds (96 rejected inquiries compared to 71 in 2006). Most of these inquiries either had no direct relation to Switzerland (so-called "fishing expeditions"), or had no relevance to a money laundering offence or a predicate offence to money laundering, or the financial information requested could only be provided by virtue of a mutual legal assistance

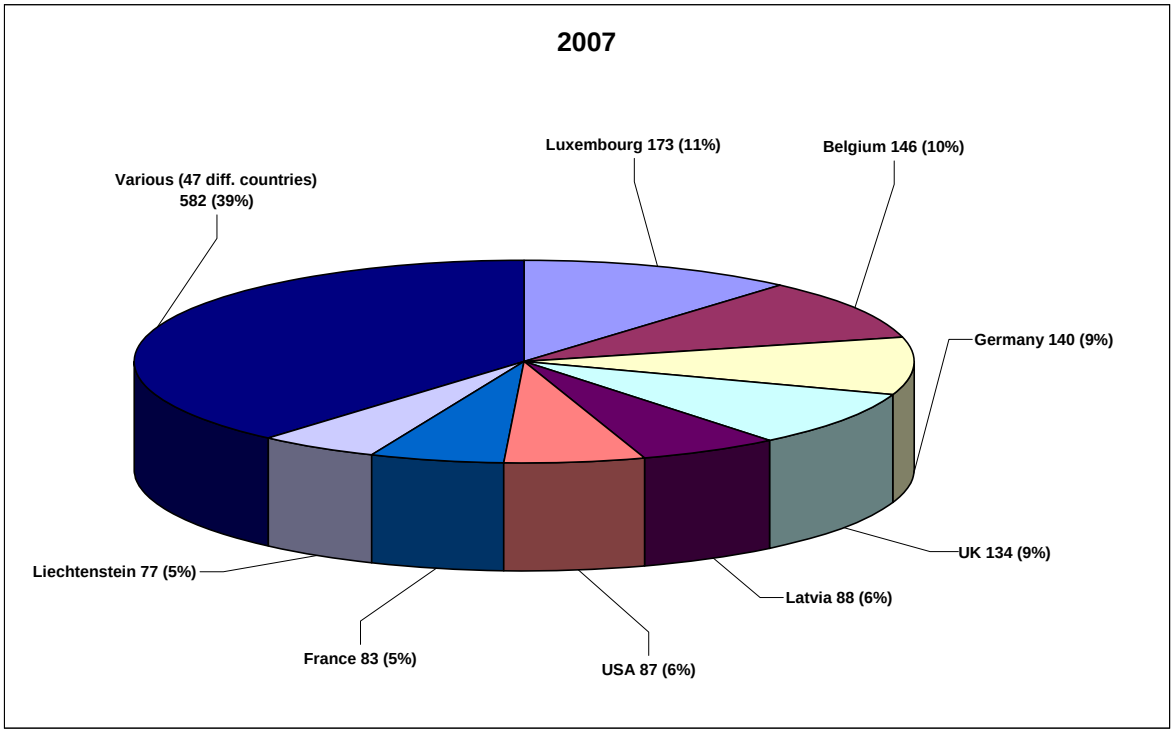
request but not through MROS. Whenever sufficient formal grounds are lacking in an FIU inquiry, MROS policy is not to disclose the requested information.

In 2007, MROS responded to FIU inquiries within six working days following receipt. The response time is slightly longer than in the 2006 reporting year (5 days in 2006). This situation can be explained by the following facts: a) the processing of incoming SARs takes precedence over processing of incoming FIU inquiries; b) the greater volume of incoming SARs led to a corresponding increase in workload; c) MROS needed to fill a vacant full-time position.

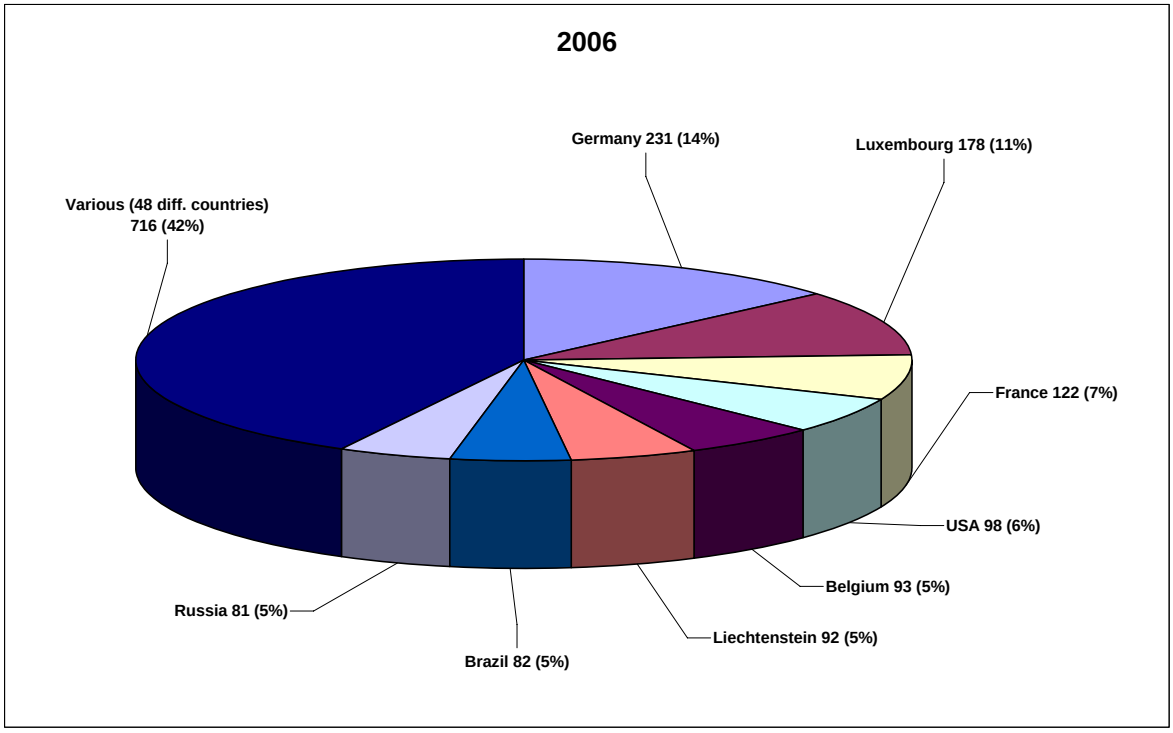
In response to incoming FIU inquiries, MROS ran computer checks on an average of 125 natural persons or legal entities each month in 2007 compared to 141 in 2006.

[6] www.egmontgroup.org

2007: 1,510 natural persons/legal entities



2006: 1,693 natural persons/legal entities



For comparison 2006/2007

Country	2007	2006	+/-	Country	2007	2006	+/-
Luxembourg	178	173	-5	Montenegro	8	5	-3
Belgium	93	146	53	Slovakia	1	5	4
Germany	231	140	-91	Moldavia		5	5
UK	30	134	104	Guernsey	10	4	-6
Latvia	0	88	88	Serbia	3	4	1
USA	98	87	-11	Andorra	0	3	3
France	122	83	-39	Belarus		3	3
Liechtenstein	92	77	-15	Japan		3	3
Russia	81	54	-27	Chile	0	2	2
Italia	30	43	13	Thailand	0	2	2
Netherlands	8	33	25	Turkey		2	2
Portugal	32	32	0	San Marino		2	2
Ukraine	5	32	27	Denmark		2	2
Isle of Man	23	30	7	Georgia	14	1	-13
Bulgaria	52	29	-23	Paraguay	2	1	-1
Cyprus	12	26	14	Venezuela	0	1	1
Hungary	31	22	-9	Barbados		1	1
Spain	55	20	-35	Finland	42	0	-42
Argentina	9	18	9	Albania	17	0	-17
Austria	49	16	-33	Gibraltar	5	0	-5
Peru	33	16	-17	South Africa	4	0	-4
Israel	27	16	-11	Bolivia	0	0	0
Romania	16	16	0	Singapore		0	0
Croatia	28	15	-13	Guatemala		0	0
Bosnia	0	13	13	Nigeria		0	0
Malta	17	12	-5	Lithuania	10		-10
Sweden	2	11	9	Czech Republic	9		-9
Poland	10	9	-1	Estonia	9		-9
Mauritius	7	9	2	Ireland	8		-8
Philippines		9	9	Cayman Islands	5		-5
Brazil	82	8	-74	Monaco	4		-4
Lebanon	9	8	-1	New Zealand	4		-4
Jersey	27	7	-20	Indonesia	3		-3
Mexico	11	7	-4	Iceland	3		-3
Norway	4	7	3	Egypt	2		-2
Bahamas	22	6	-16	St. Vincent Grena-dines	1		-1
Macedonia	2	6	4	Costa Rica	0		0
Senegal	1	6	5	Slovenia	0		0
				Total	**1693**	**1510**	**-183**

2.3.15 Number of MROS inquiries to foreign FIUs

Financial intelligence units (FIUs) are MROS-equivalent agencies in other countries. MROS formally exchanges information with these FIUs by virtue of Art. 32 AMLA and Art. 13 MROS Ordinance. This exchange of information mainly takes place between the member states of the Egmont Group and is an important instrument in the fight against money laundering.

Whenever a financial intermediary in Switzerland submits an SAR mentioning a natural person or legal entity domiciled outside of Switzerland, MROS may send an inquiry to a foreign FIU to obtain information about that natural person or legal entity. MROS uses the information it receives to analyse the SAR in order to determine what action needs to be taken. Since many incoming SARs have an international connection, the information that MROS receives from foreign FIUs is important.

What the chart represents

This chart shows the foreign FIUs to which MROS sent inquiries to obtain information about natural persons and legal entities. The chart also indicates the number of natural persons and legal entities mentioned in these inquiries.

Chart analysis

- *Renewed decrease in the number of MROS inquiries to foreign FIUs.*

In the 2007 reporting year, MROS sent 280 inquiries (292 inquiries in 2006) mentioning 886 natural persons or legal entities (1,106 in 2006) to 53 foreign FIUs. It took the foreign FIUs an average of 21 working days to respond to each inquiry. The Egmont Group's "Best Practice Guidelines" recommend a response time of no more than 30 days. The FIUs in some countries failed to adhere to these guidelines, which meant that MROS often had to wait several months or even longer than a year for a response.

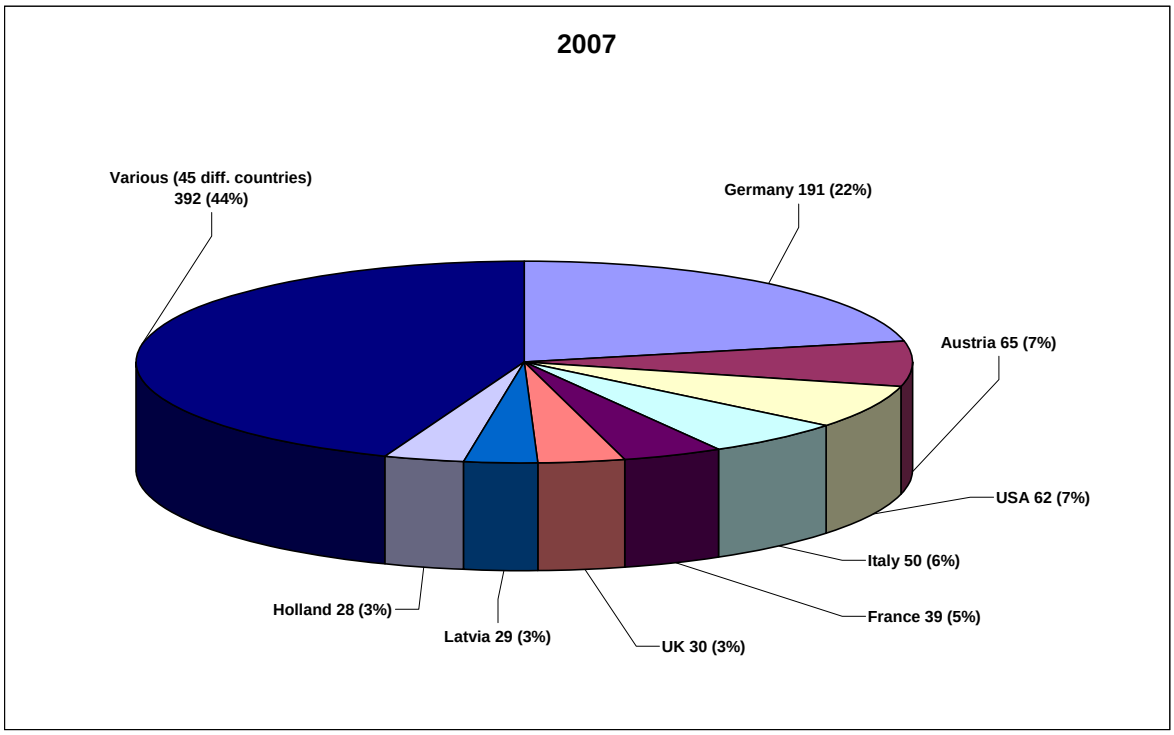
MROS' key partners in this respect are the FIUs in neighbouring countries (Germany, Austria, Italy and France) as well as the United States. MROS contacted FIUs in Senegal and Nigeria (new Egmont Group members) for the very first time in 2007.

MROS sent inquiries to foreign FIUs to obtain information regarding an average of 74 natural persons and legal entities each month in 2007 compared to 92 in 2006.

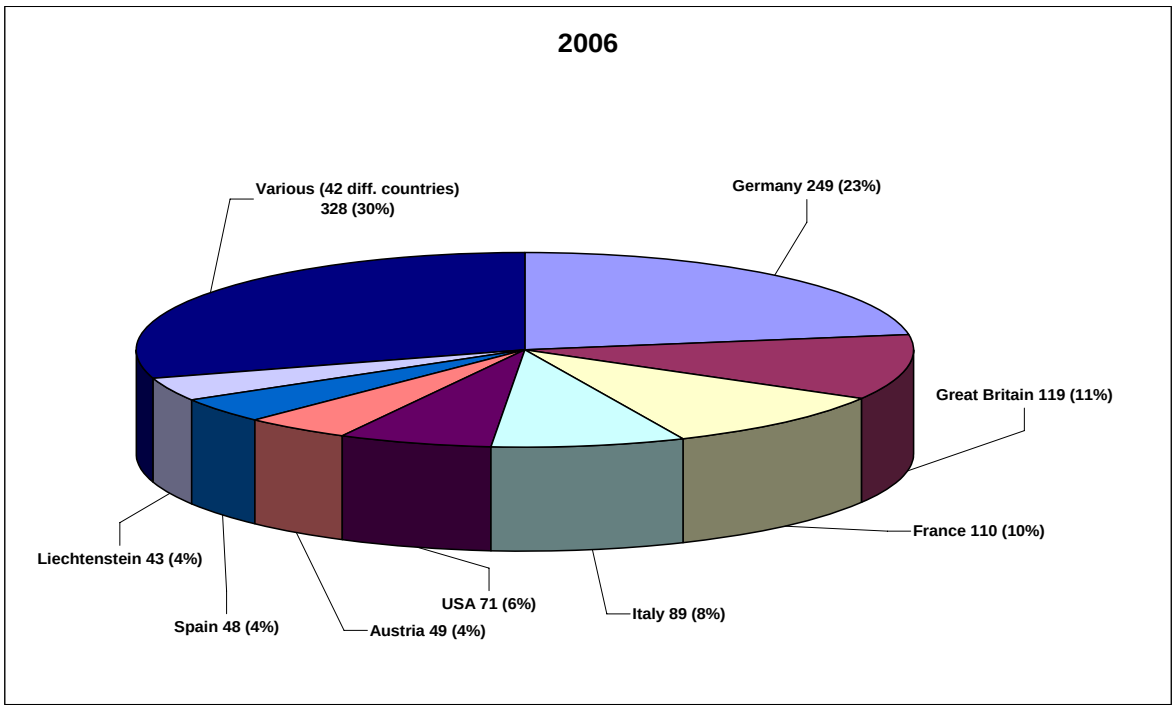
The decrease in the number of inquiries that MROS sent to FIUs abroad has to do with the fact that MROS received more SARs in 2007 that had *no* international connections. This fact was also mentioned in Chapters *2.3.9*, *2.3.10* and *2.3.11*.

MROS sent inquiries to foreign FIUs in relation to 234 of the 795 SARs that it received in 2007 (roughly 30% of all SARs received).

2006: 886 natural persons/legal entities



2006: 1,106 natural persons/legal entities



For comparison 2006/2007

Country	2007	2006	+/-		Country	2007	2006	+/-
Germany	191	249	-58		Denmark	4	6	-2
Austria	65	49	16		Bolivia	4	0	4
USA	62	71	-9		Bahamas	4	0	4
Italy	50	89	-39		Estonia	4	0	4
France	39	110	-71		Luxembourg	4	20	-16
UK	30	119	-89		Hungary	3	3	0
Latvia	29	0	29		Senegal	3	0	3
Netherlands	28	30	-2		Portugal	2	7	-5
Sweden	28	3	25		Paraguay	2	2	0
Belgium	26	31	-5		Isle of Man	2	0	2
Brazil	25	28	-3		San Marino	2	0	2
Spain	24	48	-24		Cayman Islands	2	0	2
Singapore	21	8	13		Hong Kong	1	8	-7
Liechtenstein	19	43	-24		Chile	1	3	-2
Russia	18	10	8		China	1	0	1
Colombia	17	0	17		Nigeria	1	0	1
Malaysia	16	0	16		Iceland	1	0	1
Israel	14	6	8		United Arab Emirates	1	0	1
Panama	12	23	-11		South Korea	0	13	-13
Lebanon	11	0	11		British Virgin Islands	0	10	-10
Romania	10	18	-8		Australia	0	9	-9
Indonesia	10	6	4		Ireland	0	6	-6
South Africa	10	3	7		Jersey (GB))	0	5	-5
Mexico	9	4	5		Turkey	0	5	-5
Finland	9	3	6		Gibraltar	0	5	-5
Greece	9	4	5		Croatia	0	4	-4
Poland	8	14	-6		Monaco	0	3	-3
Peru	8	0	8		Bermuda	0	3	-3
Slovakia	8	0	8		Antilles (NL)	0	3	-3
Venezuela	7	4	3		Ukraine	0	2	-2
Thailand	7	2	5		Mauritius	0	2	-2
New Zealand	6	6	0		Costa Rica	0	2	-2
Cyprus	6	0	6		Taiwan	0	2	-2
Bulgaria	6	0	6		Philippines	0	1	-1
Egypt	6	0	6		Guernsey (GB))	0	1	-1
					Total	**886**	**1106**	**-220**

3. Typologies

3.1. Art. 6 AMLA: Special inquiries

A financial intermediary working in the payment transaction services sector has an IT system which enables him to identify high-risk transactions. The system thus selected two withdrawals of EUR 30,000, each effected by a client on the same day in the same region. Based on these indications, the bank clerk asked the client, on the occasion of the second withdrawal, to substantiate the origin of the money in writing. The client complied, explaining that his assets came from his consultancy work in the financial sector and that the withdrawals were to cover, in particular, his travel expenses.

On reaching the financial intermediary's compliance office, the information contained in the report triggered the special inquiries process. On close examination of account movements, the financial intermediary identified payments amounting to EUR 280,000 within a period of two months originating from a foreign holding company, cash withdrawals in his country of residence as well as payments via money transmitters. Account movements aroused the supposition that it had been used as a payable-through account, generally accepted as an indication of money laundering. A questionnaire containing numerous questions relating to these transactions was sent to the client and returned within the set time limit.

In his reply, the client justified the transactions, also submitting various contracts and invoices arising from his professional work as a consultant. Owing to the lack of a signature on the contract, the client was once more requested to substantiate, in particular, the plausibility of the fees amounting to almost EUR 300,000. This last request remained unanswered.

Internet searches, moreover, enabled the financial intermediary to find out that the client's name was listed in an Internet forum in his country of origin; he was indicated therein as the person responsible for considerable losses suffered by investors.
These circumstances prompted the financial intermediary to send a report to MROS.

MROS investigations revealed that the client had already been the subject of a report sent by the Swiss judicial authorities to his country of residence in 1999. In 2002, furthermore, the FIU from the same country had sent MROS a request for information, followed by a request for international mutual assistance on the subject of similar acts. The probability that the money accumulated in the client's account was related to his previous criminal activities (investment fraud) could not be ruled out.

This report was subsequently sent to the cantonal law enforcement law agency, which instituted money laundering proceedings.

3.2 Corruption

On behalf of a foreign client, a fiduciary administered assets amounting to almost CHF 7 million deposited at a bank abroad. The client, who was domiciled abroad, stated on opening the accounts that his work consisted of placing loans with investors, in particular government loans from his country of residence. He held accounts at this bank in the names of various companies belonging to him as well as personal accounts.

The opening documents established that the client would receive commissions amounting to CHF 10 million following the placing with investors of a government loan amounting to approximately CHF 200 million.

On receipt of the commissions, the money had first been credited to the accounts of the companies and then to the client's personal accounts. From there, payments had been effected in favour of the client's partners with accounts at the same bank. Investigations conducted by the financial intermediary's compliance service and the client's statements led to the conclusion that these transfers corresponded to services performed by the partners and were consequently not illegal.

Nevertheless, the fiduciary entrusted an agent with the task of verifying the client's activities in his country of residence. The investigation revealed that the client had corrupted government officials in his country of residence with the objective of persuading them to invest the loan with various pension funds for which they were responsible. Thus the client had awarded himself a commission in excess of the norm by investing the loan on disproportionate terms. It is significant that this operation was facilitated by the fact that the pension funds in the country concerned are only allowed to underwrite loans to national debtors.

The fiduciary therefore immediately sent a report to MROS. The investigations as well as the information received from the FIU of the country in question confirmed the suspicions of corrupting government officials, a predicate offence to money laundering.

This case was referred to the Office of the Attorney General of Switzerland, which blocked the client's assets at the bank and instituted proceedings.

3.3 Money laundering by a "Politically Exposed Person"

A life insurance company reported to MROS its business relationship with a PEP. In 2004 the contracting partner concluded a fund-linked life insurance for a period of 14

years; the annual premiums were fixed at approximately USD 70,000. In 2004 and 2005 these premiums were paid as foreseen in the contract. The premium for 2006, however, was not paid, and the policy was released from the premiums. At the time of the report, the value of the insurance amounted to the current value of the fund unit, or at least to USD 165,000. As the policy holder was a PEP, the business relationship was regularly monitored by the life insurance company. The last investigations showed that the insured person was probably involved in acts of bribery in his native country and that he could be the subject of investigations in Europe on suspicion of money laundering. It could therefore not be ruled out that the assets deposited in the life insurance company were the proceeds of a crime.

MROS investigations revealed that a European country had contacted the Swiss authorities in connection with investigations against the insured person on charges of embezzlement and money laundering. The Swiss authorities were informed that the insured person had transferred assets from an account in his native country to Swiss accounts. The beneficiaries were two companies belonging to the policy holder. A total of over USD 500,000 had been shifted. This money probably represented assets that the insured person had embezzled in his native country and laundered via Swiss accounts. Within the scope of their criminal proceedings, the investigating foreign authorities have already filed a request to Switzerland for international mutual assistance.

As the insured person is a foreign PEP, MROS passed on the report to the OAG for further examination. Only a few days later the latter initiated criminal proceedings against the policy holder on suspicion of money laundering. The proceedings are pending.

3.4 Privatisation of government agencies and corruption

For several years a bank had maintained business relations with a foreign company operating in the consulting sector. Two years ago one of the three beneficial owners modified the company name, indicating that he had become the sole beneficial owner.

Several articles that appeared recently in the media mentioned the provisional detention of two ministers from a European country as well as two external consultants of a renowned bank, including the beneficial owner of the above-mentioned account. The latter was accused of having set up and overseen a network of officials and consultants, from whom he was said to have obtained secret financial information that he then passed on to foreign multinationals interested in the privatisation of government agencies in that country. A report was sent to MROS.

Subsequent examination of the company's accounts revealed transfers from abroad during the period corresponding to the facts mentioned above. These amounts repre-

sented the fees related to the privatisation of companies in that country and amounted to a total of USD 7 million.

An MROS analysis was not able to rule out the possibility that the consulting company had been used by its beneficial owner for the purpose of laundering money arising from illegal activities which affected the interests and security of the country concerned. Although the articles appearing in the Swiss and international press primarily referred to economic espionage, the implication of functionaries led to the assumption that there were acts of corrupting government officials, considered as a predicate offence to money laundering.

MROS decided to pass on this report to the OAG, which is the competent authority under Art. 340bis para.1 letter a SCC. The OAG subsequently instituted money laundering proceedings.

3.5 Phishing

A payment transaction services provider reported to MROS a Swiss woman who had attracted attention because she had, within a short time, made various payments to an Eastern European country. When asked about the origin of the money to be transferred and the purpose for which it was to be used, the woman claimed that, looking for a practical occupation which she could carry out in her own time, she had seen a job offer advertised by a charitable organisation. Her task was to place at the organisation's disposal a bank account into which, according to her "employer", sums were to be paid by generous persons from Switzerland and abroad. Each day she had to monitor whether these donations had been credited to her account. As soon as this happened, she was to transfer the amount in cash, minus her commission (10%) to needy persons abroad who were receiving support from this charitable organisation. In this way, she was told, the money would really reach those in need directly and quickly.

The MROS analysis soon showed that the woman was being misused by a fraudulent international organisation as a so-called "money mule". Accordingly, the amounts credited to her account were not donations but money that the fraudsters had stolen by means of "phishing" from the bank accounts of unsuspecting victims. In order to emphasise the legitimacy of the charitable organisation, the fraudsters had created their own homepage that listed touching stories of persons who, thanks to the help of the charitable organisation, could now lead a better life. However, further inquiries revealed that all these stories had been copied from the Internet sites of lawful and recognised charitable organisations. Thereupon MROS immediately called in MELANI, the cybercrime section at the Federal Office of Police. Thanks to international cooperation with the authorities of the country in which the homepage was registered, MELANI succeeded in closing down the fraudulent homepage.

The suspicious activity report (SAR) was passed on to the competent law enforcement agency, where proceedings were instituted against the woman on charges of aiding and abetting the misuse of an electronic data-processing system (Art. 147 SCC) as well as aiding and abetting money laundering (Art. 305bis SCC). The intentional nature of this crime is now to be proven.

3.6 Non-profitable association?

Some years ago a bank opened an account in favour of an association whose objective was the circulation of religious works via the Internet as well as to overseas countries. An account was also opened in the name of the person heading this association. The bank was thus in a position to assess the business account movements of the association as well as private withdrawals in favour of the person in charge. Considering the commercial nature of the relationship, the bank had also been in possession of the association's accounts for several years.

On the basis of the annual accounts and on examination of the movements in the personal account of the head of the association, the analyst had his doubts regarding the large amounts that the head allocated to himself as salary and to cover his expenses (approx. CHF 400,000 per annum).

Taking the association's objective into account, the bank concluded that these facts could fall under the offence of aggravated unfair management (Art. 158 SCC) and that therefore the money in the private account of the person in charge was of criminal origin. A report was sent to MROS and the accounts were simultaneously blocked.
First of all, the MROS analyst concentrated on the person in charge and on the association but found nothing negative. The association's accounts were regularly audited and approved from one year to the next by the annual general meeting without reservations.

Under these conditions, it was not established that a predicate offence could be upheld against the head of the association and that the assets in his account could not be considered laundered. The report was immediately closed without further measures. In our opinion, the financial intermediary's doubts should have prompted him to undertake investigations under Art. 6 AMLA before submitting an SAR.

3.7 Embezzlement of a ward's assets

Within the scope of his due diligence obligation, a financial intermediary examined the movements in an account held by one of his employees as well as the accounts for which the latter had the power of attorney, in particular for those of his ward. An enquiry was initiated under Art. 6 AMLA, and the employee was requested to provide an

explanation regarding the administration of the ward's account for which he acted as a trustee.

In view of the fact that the transactions effected via the ward's account were partly related to Internet sites offering online gaming, precise justifications were requested. The employee admitted that he had used his ward's money for online gaming. He defended himself by saying that only the dividends realised had been invested, claiming that the capital always remained available. In reality, however, all the money was finally lost.

It emerged that an uncontrolled urge to gamble in general, and on the Internet in particular, had led the employee to embezzle considerable amounts, not only from his ward's account but also that belonging to third parties and a local company. At the time of the report an amount of approximately CHF 700,000 had vanished. Following the usual controls, MROS passed on the file to a cantonal law enforcement agency.

One week after the file was sent to the judicial authorities, the trustee was taken into custody and admitted the deeds of which he had been accused. The investigation conducted by the police revealed that the total amount of money embezzled amounted to almost CHF 1 million. The accused person had staked all this money on virtual casino sites and lost everything. He was finally charged with breach of trust and fraud.

3.8 Two identities facilitate the life of a criminal

Based on a report in the international press, the attention of a financial intermediary was drawn to an, albeit closed, account in the name of an offshore company. The account in question had come into the financial institution when it was taken over by another financial intermediary. The newspaper article mentioned that the beneficial owners of this offshore company were a married couple from the Middle East, who had been involved in various offences (bribery, fraud) in South America and had been sentenced to a long period of imprisonment in 2006.

Further investigations undertaken by the financial intermediary regarding account transactions revealed that, in the past, a payment from this offshore company had come into the account of another offshore company, where, due to the amalgamation of the two financial institutions, the same financial intermediary was now working. Comparison of the books of the two offshore companies showed a surprising result. Although the companies had been established in different Caribbean countries, on comparing the books the financial intermediary immediately noticed that, in spite of different names and nationalities, the persons in the identity documents were very similar, in fact, identical. It was only thanks to the amalgamation of the two financial institutions that this coincidence was noticed. It emerged that the two persons sentenced in South America had, shortly before their imprisonment, acquired new identi-

ties by means of South American passports. They had subsequently tried to hide their assets, amounting to multi-million sums, in Switzerland. How the couple acquired the South American passports and to what extent the blocked assets are actually incriminated is currently being investigated by the law enforcement agency.

3.9 Attempted money laundering

Two European Union nationals approached a Swiss financial intermediary in order to open two bank accounts. According to their statements, one of them had inherited several million dollars from a relative who had been killed two years previously in a plane crash in Africa. As the latter had had no close relatives, the inheritance had passed to a distant nephew.

At this first meeting, the heir indicated that he wished to share his inheritance with the friend accompanying him. He claimed that his money was deposited with a European financial institution represented by a lawyer.

Once the opening documents had been signed, the bank, in compliance with its due diligence obligation, checked the various pieces of information provided by its two future clients. Its investigations revealed that neither the company nor the lawyers' office existed; at least they were not registered as commercial enterprises nor did they have a telephone number in the country of domicile. A third person seemed to be living at the address indicated and the telephone number given corresponded to a company operating in the surveillance sector.

None of the persons or companies indicated in this report was recognised by the database consulted by MROS. As the case represented a possible attempt at money laundering, MROS informed the cantonal law enforcement agency. MROS considered it important to report these persons as a precautionary measure so that the police authorities could put them on record.

With regard to the offence of money laundering, proceedings were closed due to lack of evidence and the absence of any indications regarding the place of residence. In such cases of attempted money laundering (Art. 24 FBC AMLO), it is rare for the financial intermediary to be in possession of information that would enable him to ensure a regular course of proceedings.

3.10 Report from a self-regulating organisation

Under Art. 27 para 4 AMLA, a self-regulating organisation sent a report to MROS on one of its members who worked in the sector of cash payment transaction services, following an audit carried out in this sector. The auditing report enclosed with the

communication testified to numerous deficiencies in this member's due diligence obligation.

Clients of the financial intermediary had conducted transactions involving several thousands of Swiss francs without any inquiries having been made regarding the origin of the money or the financial background. Thus, for example, one of the clients had carried out, within the space of a year, substantial money transfers to a South-American country, indicating that this money came from his professional activities in Switzerland although his residence permit had no longer been valid for several months.

Investigations conducted by MROS revealed that the manageress of this payment transaction service had been the subject of an anonymous report sent to a cantonal law enforcement agency regarding possible violations of its due diligence obligation. As this authority was already familiar with the file, MROS also sent it the report from the self-regulating organisation.

An investigation was carried out. However, no information proving the criminal origin of the money transferred by this financial intermediary could be upheld. The law enforcement agency therefore dismissed the case.

In view of the doubts remaining with regard to the due diligence obligation, the law enforcement agency reported the case to the Federal Finance Administration.

3.11 The Z Connection

On the opening of an account by a new European Union citizen, the financial intermediary had doubts about the authenticity of the identity document presented. The financial institution ascertained that two other accounts had been opened a short time before at the address indicated by the client, and that the telephone number for the three accounts corresponded to the same person.

In one of these accounts, there had been a single transaction of EUR 20,000 coming from a neighbouring country. This amount had been completely withdrawn the same day in cash from the account. The financial intermediary supposed that this was a case of an embezzled amount of the "Z connection" type (the misappropriation and embezzlement of payment orders) and reported the case to MROS.

MROS carried out various investigations and discovered that the two passports used for the opening of the bank accounts had been reported as stolen, lost or mislaid by their holders several months earlier. In addition, the names and photographs belonging to female European nationals had been altered so that they could be used by a man.

The perpetrator of these offences was well known by the police authorities (in particular for theft and drug trafficking) and could easily be identified. MROS referred this report to the competent cantonal law enforcement agency, which sentenced him on charges of money laundering and other offences.

3.12 Victim of advance fee fraud won't take advice

In 2007, according to the SAR from a money transmitter, a Swiss man transferred approximately CHF 30,000 to various payees abroad, predominantly in African countries. The next time he tried to carry out a transaction, he presented various documents at the counter which clearly pointed to an advance fee fraud.

Within the scope of its analysis, MROS ascertained that the sender had already been reported by two money transmitters in 2001 and 2003. In the first SAR, MROS was informed that the sender had sent over CHF 150,000 to African countries. MROS forwarded this report to a cantonal law enforcement agency, which instituted criminal proceedings and monitored the sender's transfer activities for a few months.

Finally, these proceedings were suspended as the assets transferred were proved to come from the sender's private fortune. According to the suspension order, the sender had already been informed in October 1999 by Interpol Switzerland about cases of Nigerian fraud. The sender had been advised not on any account to make further payments but apparently he did not take the advice: by the end of 2007 he had transferred approximately CHF 250,000 abroad.

As the investigations conducted by the law enforcement agency established that the CHF 150,000 transferred by the end of 2007 demonstrably originated from the sender's savings, MROS could assume that the assets transferred thereafter also came from his fortune and were not the proceeds of a crime, or that he had borrowed the money from third parties. At his advanced age of 80, criminal activities could probably be ruled out.

In the meantime the sender stopped his transfers as his fortune was exhausted. His property was put up to compulsory auction by the debt enforcement authorities.

Although the law enforcement authorities and financial intermediary had drawn the sender's attention to the fraud, he was still steadfastly convinced that he would one day receive the USD 40 million promised to him.

3.13 Piracy of online games by a minor

A bank discovered that payments coming from an online finance company had been credited to the youth account of one of its underage clients.

In order to find an explanation for the unusual incoming payments, the account manager contacted his client. After giving some clarifications, the latter admitted that he had pirated online games on the Internet. The procedure used by the forger consisted of creating a parallel private server that was accessible to players. By means of payments to the forger's account, the players gained access to the original website platform. The advantage consisted in the offer of gambling options at a more advantageous rate than on the official website.

As the client was not in a position to present an operating licence or a contract concluded with the official operators, the financial intermediary judged that these actions could fall within the provisions of Art. 147 SCC (fraudulent use of a computer).

MROS sent this report to the juvenile court concerned. Although the perpetrator of this offence was a minor, he is nevertheless subject to anti-money laundering provisions.

3.14 The dear relatives

MROS received an SAR containing the following subject matter: in summer 2007 the partition authority of an commune in the inner part of Switzerland requested a financial institution in writing for information on a recently deceased account holder regarding the establishment of a public estate inventory. Furthermore, the partition authorities asked for an account in the name of a third person to be frozen immediately and for the corresponding submission of detailed statements of account. The grounds given for this request were that the assets in this account belonged to the estate of the deceased (although the latter had four years earlier requested the financial institution to close his account and to transfer all the assets to the account in the name of the third person) as the prior transfer of assets was based on a trustee relationship between the deceased and the third person. Accordingly, the partition authority provided the financial institution with a copy of the contract, whose existence was hitherto unknown by the financial intermediary. However, the account-holding third person cited an alleged gift from her father as grounds for the transfer made four years previously. In February 2007 the third person instructed the bank to transfer approximately CHF 300,000 to the newly-opened account of her brother, from which the latter withdrew approximately two-thirds of this sum shortly before the receipt of the above-mentioned letter from the partition authority. A few days later he wanted to close his account and to withdraw the remaining balance, also in cash. However, having in the meantime received the letter from the partition authority, the bank refused to comply with the account holder's unreasonable request. Subsequent investigations conducted by MROS

revealed that there was indeed a family relationship between the deceased, the third person, resp. her brother. However, they were not direct descendants of the deceased but his niece and nephew. As the facts revealed that the starting point was not a gift but more probably an arrangement in violation of the contract to the debit of the estate with criminal law relevance, MROS passed on the corresponding SAR to the competent cantonal law enforcement agency. The proceedings are still pending.

3.15 An extramarital relationship is revealed

A payment transaction service became suspicious when a person at the counter had for several months been sending international payment orders in the name of a third person destined for the same person domiciled in Europe.

In view of the frequency of these transfers and of the fact that the client placing the orders indicated never presented himself at the financial intermediary's counter in person, the latter asked his client to complete an identification form on the beneficial owner. The front man then declared that he himself was the beneficial owner of the money.

As there were still some doubts, the financial intermediary asked this person for additional explanations in writing.

In his reply the front man explained that he was in fact accountable and acting on behalf of his employer who was conducting an extramarital relationship with the beneficiary of the assets. The head of the company was married and the father of a daughter working in the family enterprise and did not want to leave any traces in his bookkeeping, fearing that his daughter could discover what had been going on and would inform her mother.

The fictitious name indicated in the transfers had been used solely with the objective of concealing the true principal.

Not having found any information indicating that the money transferred could be the proceeds of criminal activities, MROS closed the file without further measures. One can well question the advisability of sending reports of this nature to MROS.

4. Judicial decisions

4.1 Conviction of a financial agent on charges of aiding and abetting the fraudulent misuse of a data-processing system and money laundering

Using a forged website of a financial intermediary, an unknown perpetrator sent a mass e-mail to Internet users, thus surreptitiously obtaining access data to their account connections. This knowledge enabled the perpetrator to divert wrongfully sums of money from the victims' accounts. The perpetrator then looked for persons who would agree to be contractually engaged as so-called "financial agents" and to make their private accounts available for the above-mentioned money transfers. They would then withdraw the money received in cash and transfer it via a payment transaction service to various beneficiaries abroad. For this service the "financial agent" received a provision representing 7.5% to 10% of the amounts received. In the present case, the financial intermediary noticed in time that the case in hand was an attempt at "phishing" and was able to block the money before the cash withdrawal by the "financial agent". Within the context of the preliminary investigation, the "financial agent" admitted that he had concluded a contract with the perpetrator as described above but, due to his personal situation, he was not able to pass on the payments made to his account immediately. The payments were swiftly reversed again before he could withdraw the money. He had at first thought that the matter was legal but lost his faith in the affair when the payments were reversed. In addition, it had seemed strange to him, that the payments should have been made via a money transmitter and then sent to a payee in an East European country. The adjudicating court found that the "financial agent" had potentially acted with intent as he considered that the occurrence of the tortious outcome resp. the constitution of the crime was possible but nevertheless acted because he accepted the outcome as a result of his participation. The court sentenced the "financial agent" on charges of repeatedly aiding and abetting the commission of attempted misuse of a data-processing system and multiple attempts at money laundering.

In another, similar, case the "financial agent" was also convicted of aiding and abetting the commission of attempted misuse of a data-processing system and attempted money laundering. In this case the court found that the circumstances relating to the conclusion of the contract, in particular the behaviour required of the "financial agent" by the perpetrator following the successful transfer of money, should have aroused doubts in his mind about the legality of the procedure, in particular also because the behaviour required of him was disproportionate to the agreed provision of 7.5%. However, by simply disregarding the questions which should reasonably have bothered

him, the “financial agent” sanctioned the likely tortious outcome, thus accepting this. Vis-à-vis the payment transaction service the “financial agent” subsequently claimed, untruthfully and on the instructions of the perpetrator, that the money was intended for his new house in Eastern Europe. The fact that he was obliged to lie on the instruction of the perpetrator, should, in the eyes of the court, have led him to the realisation that the money in his account could be of fraudulent and thus criminal origin. The cash withdrawal and the subsequent attempted transfer to an East-European country by the “financial agent” represented, according to the adjudicating court, actions in keeping with obstructing the investigation of the origin, the discovery and the sequestration of the money, on which grounds the “financial agent” was also convicted of attempted money laundering.

4.2 Conviction of a front man on charges of money laundering

At a payment transaction service, the accused noticed a person “X” attempting unsuccessfully to transfer money abroad in his own name. Thereupon he spoke to this person “X”, offering to carry out the transfer in place of the financial intermediary (money transmitter), whereby he – in contrast to the payment transaction service – intentionally did not ask for a plausibility statement about the identity of the person (clientele), the payee or the origin of the money. The person “X” was a drug dealer who wanted to send abroad the proceeds from drug dealing. The accused transferred the money via his own account, charging the client (drug dealer) a transfer fee corresponding to that charged by the money transmitter plus an additional fee for weekend transfers amounting to CHF 50 to CHF 100 per transaction. In its decision, the court found that, on the one hand, the accused knew or accepted that the money handed to him by the person “X” (drug dealer) represented the proceeds from the illegal sales of narcotics and was thus of criminal origin. On the other hand, he knew that his behaviour was in keeping with concealing the origin of the money in question and obstructing its recovery. The accused was convicted of multiple money laundering.

4.3 Suspension of a preliminary investigation due to the statute of limitations

An SAR sent to MROS in 2007 showed that the accused had been arrested in South America in May 2005 on charges of belonging to a South American drugs cartel. The case did not, however, come to court. He was accused of having dealt with several tons of cocaine with a value of several billion USD between 1990 and 2004. In this connection he had also paid more than USD 1 million into a Swiss account in 1992 and withdrawn it again towards the end of the same year. In the following years the account was no longer used and finally declared null and void in 2001. Further information requested by the law enforcement agency gave no other indication of presumable money-laundering relevant transactions after 22 December 1992. Thus, on 3 De-

cember 2007, the law enforcement agency had the task of examining whether the statute of limitations for prosecution of crimes was applicable. The accused was suspected of aggravated money laundering under Art. 305bis para. 2 subpara. a SCC, for which crime the punishment is combined with a custodial sentence of up to 5 years, and the statute of limitations for prosecution of crimes under Art. 97 para. 1 subpara. b SCC occurs after 15 years. Thus, and with reference to Art. 98 subpara. a SCC, under which the statute of limitations begins on the day when the perpetrator commits the punishable activity, all possibly money-laundering relevant transactions in the account in question before 3 December 1992 are time-barred. Not time-barred, in contrast, are the presumable acts of money laundering which occurred after 3 December 1992. This applies without prejudice to Art. 2 para. 2 SCC, under which, in terms of time, in the event that a crime or offence was committed before the entry into force of this law, i.e. Art. 97 SCC[7], but was not judged until a later date, the accused is judged only according to this law (Art. 97) if the result for him is milder (lex mitior). Under Art. 305bis subpara. 2 a SCC, which was valid in 1992, aggravated money laundering was punishable by up to 5 years' penal servitude, whereby under Art. 70 SCC, which was in force at that time, the statute of limitations for prosecution of crimes came into effect after 10 years. On these grounds, all presumable acts of money laundering committed in 1992 in the absence of an interruption of the statute of limitations, consequently the occurrence of the absolute statute of limitations, were time-barred at the latest on 23 December 2002 under Art. 72 a SCC. Accordingly, on application of Art. 2 para. 2 SCC, all presumable acts of money laundering committed after 3 December 1992 (in concreto up to and with 22 December 1992), were also time-barred at the time of the investigation and the law enforcement agency must, as the procedural prerequisites are lacking, suspend proceedings. It is important in such cases to stipulate that only the law enforcement agency may decide on a statute of limitations for prosecution of crimes, whereby in well-founded cases of suspicious activity the financial intermediary is nevertheless obliged to send a report to MROS. Neither is MROS authorised to make decisions of a criminal procedural nature on the statute of limitations for prosecution of crimes on its own authority.

4.4 Seizure

The attention of an external manager of a bank account at a private bank was drawn by constant transactions on the part of his client, who transferred his assets from one institution to another by means of cash withdrawals. His suspicions became even stronger when the client requested the closure of the account in order to transfer the whole amount to his daughter (approx. CHF 7.3 million). Under Art. 9 AMLA, an SAR containing these facts was submitted to MROS. The cantonal law enforcement agency

[7] The provisions on the statute of limitations for prosecution of crimes was revised in 2002 and entered into force on 1.10.2002.

thus instituted money-laundering proceedings and blocked the client's assets at the bank.

Extensive inquiries in the client's country of domicile revealed that the money deposited in Switzerland was derived from the misappropriation of his father's assets, an offence for which the client had been sentenced to a custodial sentence of 4 years in his country of origin. The money had been transferred from that country via a large European financial centre before reaching Switzerland.

As the client disappeared without leaving an address, probably having settled in a South American country, the cantonal judicial authorities decided to close the case. However, there still remained the question of the assets placed under sequestration. In view of the final sentence in the country of origin, the impossibility of prosecution in Switzerland and the proof that the assets were the produce of an offence, the judicial authorities seized the assets under Art 70 SCC (seizure), without prejudice to an action by possible eligible parties.

5. From the MROS Office

5.1. Revision of the Anti-Money Laundering Act

Revision work carried out by the inter-departmental working group (IDA-FATF)[8] on the 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, have reached a decisive result. On 15 June 2007 the Federal Council approved and submitted to Parliament a Message on a federal act on the implementation of the revised FATF recommendations. The draft extends the sphere of application of the Anti-Money Laundering Act to cover terrorist financing. It also contains several measures which raise the efficacy of Swiss precautionary mechanisms and strengthen the general protection of the financial market. As a further important step, the parliamentary consultations are now due in 2008. Both the Message[9] and the draft legislation[10] may be seen on the Internet in German, French and Italian.

5.2. The mandatory reporting of "phishing cases" in connection with financial agents

Although modern electronic banking fulfils high demands for security against criminal attack and, according to the 2007 half-yearly report by MELANI[11], classical “phishing” attacks by e-mail requesting passwords have markedly decreased in Switzerland, there were still cases of abuse in the reporting year. Among other attacks, perpetrators succeeded, by acquiring confidential information such as victims’ passwords through mass e-mails and through the use of a forged website, in gaining access to their accounts. By these means they obtained access to the corresponding accounts via e-banking and ordered various illegal money transfers. For the transfer of the fraudulently obtained money, the perpetrators engaged so-called “financial agents”[12], who made their own accounts available for the money transfers and then, according to the terms of their contract as “financial agents”, withdrew the money in cash and transferred it to the perpetrator via payment transaction services. A financial agent receives up to 10% of the incoming payments as commission. “Financial agents” who of-

[8] We refer to MROS 2005 Annual Report under point 4.2.

[9] http://www.admin.ch/ch/d/ff/2007/6269.pdf

[10] http://www.admin.ch/ch/d/ff/2007/6311.pdf

[11] Reporting and Analysis Centre for Information Assurance MELANI (Cybercrime Section), Service for Analysis and Prevention, www.melani.admin.ch

[12] Cf also MROS 2006 Annual Report, subpara 5.1. Dubious job offers for financial agents

fer their services in these cases commit the offence of aiding and abetting the fraudulent misuse of a data-processing system (Art. 147 SCC[13]) and money laundering (Art. 305bis SCC)[14]. It quite often happens that the "financial agents" are persons who are well known to the financial intermediary as blameless citizens and long-standing clients. On the basis of their personality profiles, therefore, these persons hardly arouse suspicions of fraudulent intentions. Here the financial intermediary is in fact confronted with the question of whether he should call the "financial agent" to account and point out that he has been drawn into a fraudulent intrigue and should therefore distance himself by sending the money back to the defrauded person.

In the view of MROS, this internal financial institution solution is not only wrong but even unlawful. MROS is of the opinion that, as soon as the fraudulently acquired money arrives in the account of the "financial agent" and is recognised as such by the financial intermediary, the latter should submit an SAR under Art. 9 AMLA[15] to MROS and the money should be blocked. This is because it is not the duty of the financial intermediary to prejudge the subjective facts of the case (potential intent/intent on the part of the financial agent); that is solely the task of the law enforcement agency. The duty of the financial intermediary is limited to the obligation to report the objective facts of the case, in concreto, the report of presumable criminal assets to MROS. Only by acting in this way, is it also possible for the law enforcement agency to investigate the underlying perpetrator (the actual phishing fraudster) and to prevent further crimes.

5.3. Value Added Tax "carousel fraud"

MROS is frequently confronted, either on the basis of SARs or on the basis of requests from foreign FIUs, with the problems of Value Added Tax (VAT) carousel fraud in European Union countries. The prerequisite for such an SAR to be passed on to a domestic law enforcement agency or for the reply to such a request from a foreign FIU is that the criminal behaviour described is also considered as a crime or predicate offence to money laundering under Swiss law. The following case constellations are examples of such:

1. In the simple case of the so-called "missing trader Intra-Community VAT fraud" small but valuable merchandise, i.e. electronic goods such as MP3 players, mobile phones, computer chips and accessories, laptops, games consoles or navigation systems, are exported legitimately exempt from VAT within the European Union from one member country to another. The importing country, frequently Great Britain, subsequently sells the goods to a third party, plus the VAT rate that is valid in this EU country, whereby the vendor subsequently – without paying the VAT received from the pur-

[13] Swiss Criminal Code (SCC); SR 311

[14] Cf also MROS 2007 Annual Report, Chapter 4.1

[15] Anti-Money Laundering Act (AMLA); SR 955.0

chaser to the competent tax authorities – disappears with the money. Although the country involved loses the VAT previously collected by the vendor, the damage it suffers could become even more serious if the gullible purchaser re-exports the goods again and can even possibly claim back the VAT previously levied but not passed on to the tax authorities. As the facts described do not, however, refer to assets which are the proceeds of a crime (since only the statutory charges owed have not been paid), and it cannot therefore be a case of money laundering, MROS will neither pass on the corresponding SAR from a financial intermediary in this case under Art. 23 para. 4 AMLA to a law enforcement agency, nor will it reply to a corresponding request from a foreign FIU, due to the absence of a predicate offence to, or the crime of, money laundering. Such cases are not therefore subject mandatory reporting.

2. In contrast, it is different in the case of aggravated fraud by means of a so-called VAT carousel, where payments are obtained without the slightest entitlement, i.e. when assets originate from tax fraud. This happens when trade-based transactions are simulated between various companies in order to claim fictitious tax refunds and to obtain the payment of sums from the government which bear no relationship to the real tax situation. A fictitious action of this kind to the detriment of the tax authorities is punishable as common law fraud under Supreme Court jurisdiction and not as tax fraud under administrative criminal jurisdiction. Under Art. 146 SCC a person is punishable if he decides on his own initiative to enrich himself or third parties unlawfully by misleading the authorities in claiming the fictitious fiscal rights of existing or fictitious persons to a refund and obtain the payment deriving from the right to reimbursement. The difference to the procedure described above is that by means of fictitious delivery chains and intermediary companies, whose sole task is to make out invoices and which are partly liquidated again after a short time, the tax authorities are wilfully deceived in a systematic attempt to obtain VAT refunds. As such cases represent criminal predicate offences to money laundering under the Swiss legislation, MROS will pass on a corresponding SAR describing such a procedure to the law enforcement agency under Art. 23 para. 4 AMLA and will likewise reply to a relevant request from a foreign FIU. Such cases are thus subject to mandatory reporting.

Please also consult the published decision of the Federal Criminal Court of 19 November 2007, Appeals Chamber II (Transaction number: RR 2007 106[16]).

16 http://bstger.weblaw.ch/cache/f.php?url=http%3A%2F%2Fbstger.weblaw.ch%2Fdocs%2FRR_2007_106.pdf&ul=de&q=PR+2007+106

5.4. "Advance fee" fraud / Spanish lotteries

Time and time again MROS receives SARs from money transmitters in connection with payments to Africa, Spain, London and Amsterdam. The reason given for these reports is often that there is no obvious connection between the senders (mostly Swiss citizens) and the recipients and that the senders have frequently behaved in an uncooperative and secretive manner. The analysis of these reports by MROS often shows the same picture. It appears namely that the persons transferring money are mostly blameless citizens who are the victims of so-called advance fee fraud[17]. There is no obligation to report such cases provided the origin of the money is not of a criminal nature and the legal origin is, in the best case, even documented.

The typology always looks the same in such cases: people are informed by e-mail, fax or normal letter post about the win of a considerable sum in the Spanish lotteries. They are told that they have won a large amount in the draw of a Spanish lottery although they have not even taken part in such a lottery. In order to receive their winnings as soon as possible, they are instructed either to make an advance payment for various charges or to send back personal details such as their bank connection, copies of identity documents, etc. This is all to take place at very short notice as the win will expire if they do not answer in time. It is pointed out to them that they should keep their win as secret as possible and not inform other people about it. As a rule, only a telephone number, an e-mail or post office box address are given as the company's contact details. As soon as someone contacts the "lottery company" in order to receive their winnings, the supposed winner is requested to pay a "caution" for the delivery of the winnings. Once this amount has been transferred, a "processing fee" for the payment of the promised win is requested. Quite often an alleged employee from a Spanish bank will make contact, claiming that the winnings are already at the bank, waiting to be transferred. He then explains that there is just one problem: tax must be paid on the winnings because the winner does not have a residence in Spain so that the tax has to be paid in advance. When all the various amounts have been paid (towards several thousand euros), contact to the fictitious lottery organiser breaks off and the money paid by the gullible victim is irredeemably lost. It frequently happens that the personal details given to the fraudsters are also used for further crimes (the forgery of identity papers, the conclusion and later payment of whole life insurances by means of forged death certificates, unlawful withdrawals from the bank account indicated, etc.).

[17] Cf also MROS 2005 Annual Report, Chapter 4.1 and www.fedpol.admin.ch, www.stoppbetrug.ch

Victims of this type of fraud can report their loss to a police station and bring charges. The money transferred, however, remains definitively lost in most cases.

5.5. Disclosure orders from law enforcement agencies and mandatory reporting

It occasionally happens that a financial intermediary first receives indications by means of a disclosure and/or seizure order from a law enforcement agency according to which there is a well-founded suspicion that the client's assets originate from a crime, are connected to money laundering or could be within the power of disposal of a criminal or terrorist organisation. The question facing the financial intermediary in such cases is whether, on the basis of the disclosure and/or seizure order, he should send the MROS an SAR under Art. 9 AMLA or whether, in view of the fact that the law enforcement agency is already in possession of the facts, this is unnecessary. Basically it should be mentioned that a disclosure and/or seizure order always sets off an obligation to conduct special inquiries under Art. 6 AMLA. Each disclosure and/or seizure order must be formulated in sufficiently concrete terms so that the financial intermediary requested to disclose knows exactly what he should submit to the law enforcement agency; on the basis of the contractual due diligence obligation, he will not submit more than has been requested. In cases where his obligation to conduct special inquiries does not produce more than the law enforcement agency has already requested with the disclosure and/or seizure order, he can waive the submission of an additional SAR to MROS. Such a report would be an unnecessary duplication as MROS would pass on the SAR to the law enforcement agency issuing the disclosure and/or seizure order. In addition, the law enforcement agency can request further information via a direct request to MROS for international mutual assistance. Vice versa, MROS is informed on the basis of the law enforcement agency's obligation to report under Art. 29 para. 2 AMLA of ongoing criminal proceedings in connection with Art. 260ter subpara. 1 SCC (criminal organisation), 305bis SCC (money laundering) and 305ter SCC (lack of due diligence in financial transactions), whereby for both these purposes an SAR is unnecessary. Wherever, in contrast, the obligation to conduct special inquiries shows further suspicious factors which provide elements for a well-founded suspicion exceeding the relationship to the client mentioned in the disclosure and/or seizure order, an SAR is to be submitted to MROS by the financial intermediary under Art. 9 AMLA. In such a case it is important for the financial intermediary to name the connection to the original disclosure and/or seizure order so that MROS can co-ordinate further communication to the law enforcement agency.

5.6 Dissolved business relationships and subsequent obligation to report

Under Art. 9 AMLA, wherever there is a well-founded suspicion concerning assets involved in a business relationship, a report is to be sent to MROS. A question which frequently arises in practice is whether a financial intermediary is still obliged to report suspicious dealings to MROS after a business relationship has ended, namely if the financial intermediary only has grounds for a well-founded suspicion after a business relationship has been terminated. Legal doctrine is widely divided on this issue, and opinions differ greatly. MROS supports mandatory reporting even after termination of a business relationship[18] and this not primarily with the intent of sequestrating assets but, above all, of prosecuting the perpetrator. Under Art. 7 para. 3 AMLA the financial intermediary is obliged to maintain all records for at least ten years after the termination of the business relationship. The available documents could thus provide the law enforcement agency with valuable information and facilitate a paper trail including the sequestration of assets. According to MROS, the financial intermediary is not himself in a position to judge whether the documentation is useful or not, which is why the obligation to report is to be upheld. In contrast, there is no further obligation for the balanced accounts to be monitored within the scope of the due diligence obligation.

5.7 Definition of a crime under supplementary penal legislation / Is MROS responsible for all SARs?

On 1 January 2007 the revised General Part of the Swiss Criminal Code entered into force. Although the prior distinction between a crime and an offence was maintained, the distinction between penal servitude and imprisonment was waived in favour of a uniform custodial sentence. Thus, under Art. 10 para. 2 SCC, crimes are acts which are punishable by a custodial sentence of more than three years' duration. The relevant factor for the distinction is still the highest limit of the punishment. Accordingly, acts which are now punishable by custodial sentences of not under a year's duration are also defined as crimes. In this connection, there is a problem that not all supplementary penal laws have been adapted to the new formulation, and the wording of these laws still mentions "imprisonment". Where the law merely mentions "prison", the financial intermediary can assume that a custodial sentence of up to three years, i.e. an offence, is indicated. It is particularly in the sector of supplementary penal legislation that legal texts must be assiduously read to the very end as there are special

[18] This opinion is shared by Daniel Thelesklaf, Commentary on AMLA, Orell Füssli Verlag 2003 on Art 9 AMLA; it is not shared by Werner de Capitani, Commentary on AMLA, Schutlhess Verlag 2002, on Art.9, RN ff and Michael Reinle, "Die Meldepflicht in Geldwäschereigesetz", St. Galler Schriften zum Finanzmarktrecht, Dike Verlag 2007, RN 336 ff.

conditions which result in the change of the elements of an offence to the elements of a crime. An example of this is given by Art. 62 para. 2 Trademark Act[19] regarding the fraudulent use of trademarks, which is punishable by "prison" under paragraph 1, i.e. it is thus an offence, but in the case of trade-based activities under paragraph 2 (as a qualification of the elements) by "prison up to 5 years", it is defined in the new terminology as a "5 years' custodial sentence" and is thus a crime. Therefore assets which are gained from the fraudulent use of trademarks in business practice are of criminal origin and must be reported to MROS under Art. 9 AMLA.

Particularly in the sector of supplementary penal legislation, specialised authorities are often familiar with the criminal law investigation of the elements of a crime, as for example Swissmedic in violations against the Therapeutic Products Act[20]. However, this does not alter the fact that under Art. 9 AMLA SARs are always and exclusively to be sent to MROS[21]. Thereafter it is the duty of MROS to decide to which competent law enforcement agency it forwards the report (Art. 23 para. 4 AMLA).

5.8 Reports from law enforcement agencies to MROS under Art. 29 para. 2 AMLA

Under Art. 29 para. 2 AMLA law enforcement agencies are obliged to report to MROS all proceedings, judgements and decisions to suspend proceedings under Art. 260ter subpara. 1 (criminal organisation), 305bis (money laundering) and 305ter (lack of due diligence in financial transactions) SCC. Since the entry into force of this article in April 1998, MROS has repeatedly observed that the law enforcement agencies only partially comply with this statutory obligation to report. Accordingly, MROS has already frequently pointed out this deficiency not only directly to the law enforcement agencies concerned but also via the cantonal justice and police directorates and in its annual report. The lack of success has prompted MROS to undertake more substantial inquiries to find out which law enforcement agencies do not, or only insufficiently, comply with their obligation to report. Thus, a data comparison was carried out in co-operation with the Swiss Criminal Records (Federal Office of Justice) between the two databases VOSARA and GEWA in order to find out whether the cantonal authorities were complying with this article. In total, 1,452 judgements which had been pronounced since 1 April 1998 were reported to MROS via the Swiss Criminal Records.

[19] Federal Act of 28 August 1992 on the Protection of Trademarks and Indications of Sources (Trademark Act; SR 232.11).

[20] Federal Act of 15 December 2000 on Therapeutic Products (Therapeutic Products Act; SR 812.21)

[21] We refer you here to the explanations in MROS 2004 Annual Report under subpara 5.1

SCC article	Number of persons convicted according to VOSARA	Number of convicted persons who were reported to MROS under Art. 29 para 2 AMLA (according to GEWA)	
	Number	Number	In %
260ter	26	10	38%
305bis para. 1	1277	716	56%
305bis para. 2	118	69	58%
305ter	31	9	29%
Total	**1452**	**804**	**55%**

The comparison showed that in the last 10 years approximately, MROS was only informed of about 55% of the judgements pronounced. On the basis of this comparison, MROS can identify exactly which law enforcement agencies do not, or only insufficiently, comply with their obligation to report. MROS will now lodge a complaint with the erring law enforcement agencies and set them a time limit for subsequent amelioration, in the hope of improving future reporting behaviour.

6. International scene

6.1. Memorandum of Understanding (MOU) / Statement of Co-operation (SoC)

The aim of the Egmont Group is to create the conditions for a secure, swift and legally admissible exchange of information to help combat money laundering and terrorist financing. Of the 105 FIUs in the Egmont Group, 92 (including MROS) are able to exchange information with their corresponding counterparts under their national legislation. However, 13 FIUs need either a "Memorandum of Understanding" (MOU), a "Statement of Co-operation" (SoC), a "Written Agreement" or even a "Treaty" to enable them to exchange information with other FIUs. As the fight both against money laundering and terrorist financing often requires cross-border investigative measures, this international exchange of information is of major importance for the analyses carried out by MROS, a fact which is also impressively substantiated by the relevant statistics (cf. Chapters 2.3.14 and 2.3.15). MROS therefore endeavours to conclude a written agreement as far as possible with all countries which require this. In the 2007 reporting year MROS concluded one Memorandum of Understanding each with the reporting offices of Aruba (Reporting Center for Unusual Transactions; MOT Aruba) and the Republic of San Marino (Servizio Antiriciclaggio, Banca Centrale della Repubblica di San Marino; San Marino FIU), and a Statement of Co-operation with the Japanese FIU (Japan Intelligence Center; JAFIC). MOUs with further FIUs are under negotiation.

6.2. Egmont Group

6.2.1 Six new members and one suspension

At the 2007 plenary session the following six countries / FIUs joined the Egmont Group:

- Armenia (Financial Monitoring Center; FMC)
- Belarus (Departament Finansovogo Monitoringa Komiteta Gosudarstvenogo Kontrolya Respubliki Belarus)
- India (Financial Intelligence Unit-India)
- Nigeria (Nigerian Financial Intelligence Unit)
- Niue (Niue Financial Intelligence Unit)
- Syria (Combating Money Laundering and Terrorism Financing Commission; CMLC)

In the same reporting year the Bolivian FIU (Unidad de Investigaciones Financieras; UIF) was provisionally suspended from membership due to current non-compliance with the conditions. At present the Egmont Group comprises 105 members[22].

6.2.2 Admission of MROS to the restructured Egmont Group

In the 2006 Annual Report we mentioned that the Egmont Group was going through a restructuring process. This process was completed in the 2007 reporting year. The most important reforms are, on the one hand, the establishment of a permanent secretariat (Egmont Secretariat), consisting of the "Executive Secretary", a "Senior Financial Officer", a "Senior Officer" and an "Executive Assistant/Office Manager", and, on the other hand, the funding of the Egmont Group with all its activities by means of membership fees. The "Egmont Secretariat" ensures the administrative and organisational support of the "Heads of FIU", the "Egmont Committee" and the working groups, and is run by the "Executive Secretary". In order to become a member of the newly-structured "Egmont Group", an FIU must fulfil the definition of the "Egmont Group", i.e. an FIU must be fully operational and have the will as well as the legal possibility to exchange information at international level and recognise the "Egmont Group Charter of Financial Intelligence Units" by signing the "Commitment Letter". An automatic transfer of existing members to the newly-structured Egmont Group is thus not possible. With its decision of 7 December 2007 the Federal Council approved MROS membership to the newly-structured Egmont Group and authorised the Director of the Federal Office of Police, Dr Jean-Luc Vez, to sign the "Commitment Letter", which was effected in December 2007. Thus MROS, which joined the Egmont Group in 1998, remains a member and Switzerland, respectively its financial market, have confirmed their willingness to continue actively supporting international co-operation in the fight against money laundering and terrorist financing and their interest in a clean financial market.

6.3. GAFI/FATF

6.3.1 Mutual evaluations

The 3rd cycle of evaluations of FATF member countries has made significant progress in the course of recent years. Sixteen member countries had been evaluated by the end of 2007. The following list indicates the countries evaluated in descending order based on the results of the evaluation: USA, Belgium, Portugal, UK, Spain, Switzerland, Italy, Netherlands, Ireland, Sweden, Australia, Denmark, People's Republic of China, Iceland, Turkey and Greece.

[22] http://www.egmontgroup.org for list of FIUs

Parallel to the continuation of the evaluations, the countries which were given a rating of non-conformity or partial conformity of the fundamental provisions of the recommendations[23] must submit themselves to the *follow-up* procedure. The latter requires the countries to present, at defined intervals, the measures adopted in order to overcome the deficiencies recorded in the first report.

6.3.2 Switzerland's follow-up

At the plenary session in October 2007 Switzerland presented its *follow-up* report in relation to the 2005 evaluation[24].

As the Anti-Money Laundering Act revision project has not yet been adopted, Switzerland presented in particular the modifications resulting from the Message addressed to the Federal Assembly[25]. The modifications include the following: extension of the Anti-Money Laundering Act include terrorist financing and attempted money laundering; the identification of persons acting on behalf of corporate bodies; and the new predicate offences.

In the insurance sector, the entry into force of the new ordinance of the Federal Office of Private Insurance of 1.1.2007[26] shows the progress made since 2005 (in particular the prohibition on opening an account under an assumed name, the identification of persons acting on behalf of corporate bodies, the relationship with PEPs, the retrospective effects of revised norms).

The ongoing revision of the Agreement on the Swiss Banks' Code of Conduct with regard to the Exercise of Due Diligence (CDB 03[27]) was also mentioned, in particular with regard to identification on making payments or withdrawals via bearers' bankbooks as well as on the prohibition of identification exceptions in the case of deposit accounts.

Switzerland replied to FATF's reservations regarding bearer shares, indicating that this matter would henceforth make up part of the legal revision of company law. In the sector of gaming clubs, the new ordinance of the Federal Gaming Commission, which entered into force on 1.7.2007[28], demonstrated the progress made since the 2005 evaluation.

[23] Rec 5,13 and SR IV

[24] http://www.fatf-gafi.org/dataoecd/60/30/35529139.pdf

[25] AS 2007 No. 38 5919ss

[26] SR 955.032

[27] www.swissbanking.org/fr/1116_f.pdf

[28] SR 955.021

Regarding banking activities, reference was made to the project aimed at revising the ordinance of the Swiss Federal Banking Commission (FBC) on anti-money laundering, in particular on the need to evaluate correspondent banks and accounts opened without the clients' physical presence.

Following the remarks made by FATF in reference to the reporting system, Switzerland mentioned the different measures foreseen by the revision project affecting this sector: attempts at money laundering, better protection of the financial intermediary, reports sent directly to MROS under Art. 305ter SCC.

The *follow-up* report also offered an opportunity to present the Federal Act on Federal Financial Market Supervision (LAUFIN)[29], in particular with regard to the merger between the Swiss Federal Banking Commission, the Anti-Money Laundering Control Authority and the Federal Office of Private Insurance as well as the new system of sanctions.

Finally, this report was completed by a very important section regrouping all the statistics updated since the 2005 evaluation. Covering all the sectors of the fight against money laundering and terrorist financing, these statistics have greatly contributed to the efficiency of the Swiss system even though the new revision of the Anti-Money Laundering Act has not yet entered into force.

On the presentation of our report, there were no interventions on the part of member countries and FATF merely took note, inviting Switzerland to present a new interim report in October 2008.

6.3.3 Typologies

The working group dealing with **terrorist financing** continued its efforts throughout 2007. This report is not yet final and it will probably be approved and published in 2008. This is an important contribution on the part of FATF to the fight against terrorist financing. By presenting examples taken from actual events (in particular the attacks on the underground railways in Madrid and London), the authors analysed the paths leading to the recovery of money. It has meanwhile emerged that the tools used by the terrorists only slightly differ from those used in money laundering. It is therefore difficult to establish a catalogue of indicators inherent to terrorist financing that would facilitate the task of detection facing financial intermediaries. Finally, it seems that the existing norms set up by FATF are adequate. In contrast, there is scope for manœuvre in monitoring the implementation of the FATF norms by states that do not apply them rigorously.

[29] AS 2006 No. 11 2741ss

The working group on **Internet vulnerabilities** has practically completed its report, which should be published in 2008. This study offered the opportunity to review the various types of activities involving trading (Pay Pal, eBay, Second Life, etc…). Difficulties have been observed regarding the due diligence obligation, in particular that of identification in view of the volumes and speed of transactions.

These risks are partially covered by surveillance systems aimed in particular at important transactions. An additional difficulty came to light regarding the prosecution of offences in view of the extremely mobile nature of operators. This circumstance should encourage states to improve the efficiency of their international co-operation.

In 2007 FATF embarked upon a study of **threat assessment strategies** in the sectors of money laundering and terrorist financing. The aim of this project is to identify and communicate strategic information to the authorities at national level and, to a certain extent, of defining these findings to the private sector, thus enabling it to recognise the most important threats and to react in a concerted manner. Different models of national strategies were presented and evaluated. From the discussions held it emerged that the majority of states do, in fact, possess such tools but that they have often been set up by different bodies and are not systematically collected. The work carried out by this group will continue in 2008, in particular on questions dealing with the necessary resources and compulsory nature of such a step.

The Asian Pacific Group (APG) is heading a project on the **casino and gaming sector**, whose objective is to evaluate the risks of money laundering and terrorist financing in these environments in view of the considerable development in this sector in recent years. Asia is particularly vulnerable owing to the competition between the gaming clubs in these regions.

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	SAR 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 Intermédiaires 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-asg.ch/	SRO-Verband Schweizerischer Vermögensverwalter (VSV)
http://www.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
http://www.svv.ch	Swiss Insurance 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 OAG
http://www.seco.admin.ch/themen/00513/00620/00622/index.html	State Secretariat for Economic Affairs SECO / economic sanctions based on the Embargo Act
http://www.bstger.ch/	Federal Criminal Court

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 Financiele Informatieverwerking / Belgium
http://www.justitie.nl/mot	Meldpunt Ongebruikelijke Transacties Ministerie van Justitie (MOT) / Netherlands
http://www.fintrac-canafe.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://europa.eu/	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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