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Eidgenössische Bankenkommission
Commission fédérale des banques
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Swiss Federal Banking Commission

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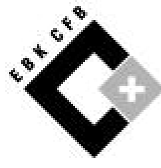
# “Abacha funds at Swiss banks”

# Report of the Swiss Federal Banking Commission

**Berne, 30 August 2000**




# 1. Object of the investigation and regulatory framework

## 1.1. Object and scope of the investigation

In November 1999 the Swiss Federal Banking Commission (SFBC) began investigations to ascertain whether a total of 19 banks in Switzerland had fully adhered to due diligence requirements (see 1.2 below) as set out in banking law and other applicable legislation in accepting and handling funds from the entourage of the former President of Nigeria, Sani Abacha.

The SFBC did not institute any criminal proceedings in respect of money laundering or any other offence. Criminal proceedings in connection with Abacha-related funds are pending in Geneva. The request for judicial assistance from Nigeria does not fall within the SFBC's remit; this is being handled by the Federal Office of Justice and by the investigating authorities in Geneva.

The administrative procedure undertaken by the SFBC involved an extraordinary amount of work. A very large quantity of documentary material needed to be evaluated. Discussions took place with the management of many of the banks concerned. At one bank all persons actually or potentially involved were formally questioned. The resources deployed by the SFBC were correspondingly large: 12 people, i.e. 14 % of the SFBC's total staff, were at one time or another involved with the processing of the matter and related investigatory tasks.

## 1.2. Due diligence obligations

When accepting and depositing funds from customers, banks have a number of obligations with regard to due diligence, with a view to upholding public trust in a properly operating banking system ('maintenance of trust or reputation'). A number of these regulations have been developed on a case-by-case basis by the SFBC since the end of the '70s on the basis of the *duty to maintain proper business conduct* enshrined in banking law. In particular, in connection with the Marcos case it instigated the practice whereby

the decision as to whether a business relationship with a prominent political figure should be started or continued must be made by the Executive Board of a bank and not by a subordinate office. This rule was first published in the 1987 annual report and gradually elaborated in subsequent cases.

The legal framework for the due diligence obligations regarding the acceptance of customer deposits is provided by the Anti-Money Laundering Act of 1997, which entered into force on 1 April 1998. Adherence is also required to the provisions contained in the Penal Code regarding *money laundering, failure to exercise diligence in financial transactions and liability to prosecution for criminal organisation* and regarding *the duty to notify*, which came into force on 1 August 1990 and 1 August 1994 respectively. These duties were set out by the SFBC in its '*Money Laundering Guidelines'* issued in 1991. In 1998 special instructions were added to these guidelines regarding the handling of funds of prominent political figures. Finally, rules for determining the identity of bank customers were drawn up by the banks themselves in 1977 in the *Agreement on the Swiss banks' code of conduct with regard to the exercise of due diligence (CDB)*, since revised several times. The current edition was issued in January 1998.

The banks must fulfil the following main due diligence requirements:

***No funds stemming from crime or corruption***

Officers or employees of financial intermediaries render themselves liable to prosecution for money laundering if they help to accept, deposit, invest or transfer assets which they know or can assume stem from crime. Negligent acceptance of assets of a criminal origin does not render liable to prosecution but may run contrary to the *duty to maintain proper business conduct* required by Swiss Banking Law. Banks are also forbidden to accept funds which they know or must assume stem from *corruption or the misuse of public funds*. They therefore have to be particularly careful in checking whether they are directly or indirectly entering into business relationships with persons who carry out important public functions for a foreign state or with persons or companies who or which are recognisably *closely connected* which such holders of office, and whether they wish to accept and deposit funds from such persons. Since 1 May 2000 the intentional acceptance of funds which belong to foreign holders of office and which stem from corruption also renders liable to prosecution for money laundering.

***Organisational duties***

Since 1 May 1992 the banks have been obliged to issue internal directives on money laundering. They must provide their staff with appropriate training and designate a specialist money laundering unit to execute the internal directives and advise line managers in money laundering issues. With respect to persons who carry out important public functions for a foreign state, since 1987 the SFBC has stipulated that internal directives set out the business policy in connection with such persons. The directives must also stipulate that such business relationships may only be entered into with the consent of the Executive Board or members thereof. The Executive Board must regularly review such customer relationships.

***Ascertaining the identity of the contracting party***

Banks must '*know their customers*'. They must therefore ascertain the identity of a contracting party on the basis of valid documentary proof when entering into a business relationship. The Agreement on the Swiss banks' code of conduct with regard to the exercise of due diligence (CDB) sets out comprehensive rules governing how and when a bank is to ascertain the identity of a contracting party. Infringement against the identification rules is punished by the CDB Supervisory Commission and can incur a contractual penalty of up to CHF 10 million.

***Ascertaining the beneficial owner***

If the contracting party is not the same person as the beneficial owner or if there is any doubt in this respect, the banks must obtain a written declaration from the contracting party as to who the beneficial owner is. Failure to observe this obligation is sanctioned by the CDB and can also render liable to prosecution.

***Clarification of unusual business relations or transactions***

The banks are obliged to clarify the *financial background* and the purpose of a transaction or of a business relationship if it appears unusual and its legal validity is not clear or if there are indications that funds stem from criminal activities or are subject to the power of disposal of a criminal organisation.

***Reporting suspicious business relationships***

If, after investigation, a bank has ascertained or has a well-founded suspicion that assets are connected to money laundering, stem from criminal activities or are subject to the power of disposal of a criminal organisation, it must report this immediately to the Money Laundering Reporting Office.

***Monitored continuation or breaking off a business relationship***

If a bank continues with a business relationship despite having doubts about it but without a well-founded suspicion and without informing the relevant authorities, it must *monitor* the business relationship. If a bank breaks off the relationship without informing the relevant authorities, it must ensure that the assets are withdrawn in a form which allows the cantonal prosecution authorities to follow the *'paper trail'* if necessary. The bank must not pay out large sums of money in cash or physically issue securities or precious metals. These obligations also apply if the bank suspects corruption or misuse of public funds. The bank must not break off the business relationship or allow the withdrawal of large sums if there are concrete indications that the authorities are about to undertake seizure steps.

***Freezing of suspicious assets***

A bank which has made a report to the cantonal prosecution authorities or to the Money Laundering Reporting Office must freeze the assets in question immediately.

This summary shows that the banks are subject to a comprehensive set of obligations on the basis of current regulations. However, these obligations do not just exist in the abstract but must be implemented and adhered to in practice.

## 2. Results of the investigation and measures ordered

The SFBC has undertaken investigative proceedings at a total of 19 banks which accepted funds from the entourage of the former President of Nigeria, Sani Abacha. At the end of 1999 the total sum of the assets invested and frozen at Swiss banks was ap-

proximately USD 660 million. Since then around USD 115 million have been released by the investigating magistrate in Geneva.

Most of the procedures conducted by the SFBC have been concluded or are about to be concluded. Two investigations have only recently been opened; these concern the banks *Mirabaud & Cie* and *UEB United European Bank*. The conduct of the following 17 banks has been investigated to date: *Banca del Gottardo, Banque Edouard Constant SA, Banque Nationale de Paris (Suisse) SA, Bank Hofmann AG, Bank Leu AG, Banque Baring Brothers (Suisse) SA, Citibank N.A., Credit Suisse, Crédit Agricole Indosuez (Suisse) SA, Goldman Sachs & Co. Bank, J. Henry Schroder Bank, Merrill Lynch Bank (Suisse) SA, M.M. Warburg Bank (Schweiz) AG, Pictet & Cie., SG Rüegg Bank AG, UBS AG* and *UBP Union Bancaire Privée.*

The individual facts of the cases at the different banks differ widely. The conduct of the banks investigated also differed. The assessment of their conduct therefore also differs. They fall into three groups:

## 2.1. Banks which complied fully

Five banks fully complied with their diligence obligations: *Banca del Gottardo, Citibank N.A.*[1], *Goldman Sachs & Co. Bank, Merrill Lynch*[2] and *UBS AG*. These banks conducted themselves correctly because they investigated thoroughly the personal and financial circumstances of their customers and, where new facts came to light or doubts remained, they expeditiously took the necessary measures such as breaking off the relationship or notifying the relevant authorities.

## 2.2. Banks with shortcomings

At a number of banks the SFBC found individual shortcomings or weaknesses but these were not sufficiently serious to justify radical measures. This group comprises the banks *Banque Edouard Constant SA, Banque Nationale de Paris (Suisse) SA, Banque*

1 This assessment applies only to Citibank N.A. Assessing the conduct of the whole Citibank group and in particular the conduct of the Swiss-domiciled Cititrust (Switzerland) Limited lies outside the remit of the SFBC.

2 However, no assessment is yet available for an account only recently discovered.

*Baring Brothers (Suisse) SA, J. Henry Schroder Bank, Pictet & Cie.* and *SG Rüegg Bank AG*.

At most of these banks the problem was *insufficient or delayed clarification of financial circumstances*. In some cases organisational weaknesses were criticised such as slow implementation of internal decisions or, in one case, the absence of internal directives on business policy in respect of prominent political figures.

The SFBC's procedures were concluded with a formal letter addressed to the bank drawing its attention to, or reprimanding it for, the fact that certain due diligence obligations had not been complied with or organisational shortcomings had been found. A reprimand was issued in particular where the incorrect conduct could not be clearly attributed to one or more persons in a leading position (position with responsibility for such obligations), either because the relevant persons had since left the bank or because the bank was simply at fault as an organisation. However a reprimand was also issued where the bank's omissions in conduct were not so serious as to justify radical measures.

## 2.3. Banks with serious omissions

A third group of banks showed in some instances serious omissions and serious individual failure or misconduct. This group comprises three banks in the Credit Suisse Group (Credit Suisse, Bank Hofmann AG and Bank Leu AG), Crédit Agricole Indosuez (Suisse) SA, UBP Union Bancaire Privée and M.M. Warburg Bank (Schweiz) AG.

Examples of individual misconduct were: gross misjudgement of a customer relationship or ignoring indications of a possible dubious origin of the funds entrusted to the bank, failure to pass on important information about a customer relationship to offices higher up in the hierarchy or disregarding orders from above to break off a business relationship. In two cases the SFBC's investigation had consequences on the personnel level for persons in a leading position. The opening of proceedings with regard to personal responsibility caused the banks concerned to part company with certain persons in leading positions. Two such proceedings are still to be carried out.

The shortcomings found at Credit Suisse, Crédit Agricole Indosuez (Suisse) SA, UBP Union Bancaire Privée and M.M. Warburg Bank (Schweiz) AG and the measures ordered as a result are described for each bank below:

### 2.3.1 Credit Suisse Group

The Credit Suisse Private Banking business unit of Credit Suisse accepted funds from two sons of Sani Abacha to the amount of USD 214 million (account balance as at end of 1999). The SFBC issued a formal reprimand for the fact that Credit Suisse had not exercised the necessary diligence with regard to the account in question and had not complied with its duty to clarify the financial background to an unusual business relationship. The SFBC reprimanded the bank in particular for the fact that, despite suspicious indications such as the age and the country of origin of the two customers and the amount of the assets invested, the bank had failed to recognise that the customers were prominent political figures. The bank placed too much trust in the information provided by a long-standing customer who had introduced the new customers to the bank. The other due diligence obligations regarding the acceptance and depositing of customer funds were fulfilled by the bank. In particular it took the necessary measures such as informing the Executive Board, reporting to the Money Laundering Reporting Office and placing an internal block on the account when it learnt in March 1999 that its customers were the sons of the former Nigerian president. In organisational terms the bank was reprimanded in particular for its shortcomings in the implementation and monitoring of directives and the failure or inappropriateness of reporting procedures for major transactions. It was not necessary to judge fulfilment of the responsibility for ensuring proper business conduct on the part of the persons responsible for the questionable business relationship because the persons in question either no longer worked at Credit Suisse or had played no role or a insignificant role with regard to the matter in hand.

Credit Suisse has made strenuous efforts to avoid unwanted customers – some of them before the problematic nature of the relationship was discovered – and to detect any undiscovered relationships with prominent political figures. The SFBC found that Credit Suisse has for a long time pursued a restrictive business policy towards prominent political figures from critical countries and broken off or refused a number of such customer relationships. However, the suitability and effectiveness of the whole package of measures can only be judged if it has been fully translated into practice. As a concrete

measure the SFBC has therefore ordered that a special audit be carried out by Credit Suisse's statutory auditors with regard to the practical implementation and the suitability of the measures introduced. This special audit extends to all other banks of the Credit Suisse Group involved in the private banking area, and thus also to Bank Leu AG and Bank Hofmann AG, which have also been involved in the Abacha affair. Bank Leu AG was reprimanded for weaknesses in its account opening procedure, inadequate documentation and shortcomings in management control. At Bank Hofmann AG the focus was on individual misconduct.

### 2.3.2 Crédit Agricole Indosuez (Suisse) SA

The bank Crédit Agricole Indosuez (Suisse) SA, a subsidiary of the French banking group Crédit Agricole Indosuez, still maintains three business relationships with relatives of Sani Abacha involving a total of USD 147 million. The SFBC has issued a formal reprimand with regard to the fact that the bank did not act with the necessary diligence in the opening and subsequent handling of two of these relationships and in the subsequent handling of the third relationship. The bank opened accounts in the knowledge that the account holders or beneficial owners were relatives of the former President of Nigeria, and without setting in motion the necessary supplementary clarification procedures. All the business relationships criticised were formally reported to the management member responsible, who is no longer working in Switzerland, and approved by this person without any reservations being issued. The relevant French supervisory authority was informed of the case by the SFBC. The SFBC also ascertained that in 1997 the internal organisation of the bank, in particular with respect to the poor flow of information between the individual branches of the bank, was not sufficient to satisfy the requirements of the anti-money laundering provisions. As a concrete measure the SFBC has ordered that a special audit be carried out by the statutory auditors. This audit will entail a thorough analysis of the existing business relationships and deal with the issue of the reliability of the bank's control system.

### 2.3.3 UBP Union Bancaire Privée

UBP Union Bancaire Privée maintains six accounts currently holding funds totalling USD 73 million. The bank also maintained three further accounts which have now been closed. All these accounts were connected to relatives of Sani Abacha. The SFBC as-

certained that in the opening of two accounts which have now been closed the bank did not act with the necessary diligence, in that it allowed the payment of considerable sums of money into accounts opened on a provisional basis only. In the opening of five other accounts for a relative of Sani Abacha, who had been identified as such, the bank also failed to act with the necessary diligence in that it omitted to undertake the necessary clarification of the financial background. The SFBC also ascertained that UBP did not act with the necessary diligence when it failed to implement the internal decision to close three accounts and/or failed to check implementation of the decision. Thus correct and prudent business policy decisions and individual decisions were made, but not implemented. Finally, the SFBC ascertained that the internal organisation of the bank in the years 1995 and 1997 was inadequate to meeting the requirements of the applicable rules on combating money laundering, in particular because the execution of decisions made and the monitoring of their execution was incomplete and ineffective. As a concrete measure the SFBC ordered that a special audit be carried out by outside auditors. This audit will entail a thorough analysis of the existing business relationships and deal with the issue of the reliability of the bank's control system.

### 2.3.4 M.M. Warburg Bank (Schweiz) AG

The case involving M.M. Warbung Bank (Schweiz) AG, a subsidiary of the German M.M. Warburg & CO, was concluded in 1998 and dealt with in the relevant SFBC annual report on page 41 in an anonymous form. To briefly recapitulate: the bank maintained an account of which two sons of Sani Abacha were the beneficial owners. Just under DM 300 million flowed through the account in the space of eight months under the title 'provisional payments', the majority of the funds being forwarded to the sister bank in Luxembourg. The account was maintained without proper regard for the separation of functions between board of directors and executive board and serious omissions were found with regard to the clarification of the financial background. All leading persons involved with the business relationship left the bank as a result of the SFBC's intervention. The supervisory authorities in Germany and Luxembourg were informed of the matter.

## 2.4. Further findings

***Compliance with reporting requirements***

On a positive note, it was found that the banks *complied with the reporting requirement* provided for under the Anti-Money Laundering Act as soon as there were indications of the possible criminal origins of the funds, and the funds in question were frozen within the bank.

***Internal regulations in place***

Another positive finding was that, with one exception, all the banks had *suitable internal regulations* or an internal directive on business policy with regard to prominent political figures, as required by the SFBC circular 98/1, 'money laundering'.

***No offences reported***

The SFBC has a legal duty to report offences. On the basis of the information it obtained the SFBC had no cause to report offences on the part of any particular persons. However, this does not preclude a different decision on the part of the relevant prosecution authorities.

***Importance of due diligence at the beginning of a business relationship***

Some of the banks recognised or suspected the prominent political position of their customers or even the dubious origin of the funds and swiftly disposed of the undesired assets. However, some banks were not able to do this and sat on the funds as a result of a lack of customer contact or absence of instructions from the customers. These banks failed to recognise or recognised too late the problematic nature of the customer relationship.

***Difficulty in identifying prominent political figures***

Identifying prominent political figures can be a difficult undertaking, particularly if the customer fails to provide important information or even gives false information. In most of the cases investigated the account holders or beneficial owners did not present

themselves as prominent political figures but as wealthy and successful business people. In this connection it should be noted that except in one insignificant instance involving relatively small amounts, Sani Abacha did not feature as an account holder or beneficial owner. In this exceptional case the bank broke off the business relationship in 1994. It should nonetheless be pointed out that banks need to exercise particular care in relations with customers from a corruption-prone country such as Nigeria.

Particular dfficulty arises with customers who because of their economic power and their important position in society are almost necessarily involved in the governmental circles of their country and are therefore also involved with prominent political figures. That such people have ties with the governing regime is often not transparent and difficult for banks to recognise. No formal criticism can be made of the assumption and continuation of business relationships with such persons if there are no indications of the funds deposited being of criminal origin. It should however be noted that such business relationships, even without any concrete cause for suspicion, expose the bank to an increased risk in respect of its reputation.

***Introduction by existing customers does not release the bank from its due diligence obligations***

Several banks omitted to undertake closer investigations of the personal and financial circumstances of their customers on the grounds that the new customers had been introduced to the bank by a long-standing customer with a good reputation or a high degree of trustworthiness or that the funds had been transferred from another bank domiciled in Switzerland. However, such circumstances do not release the banks from their obligation to undertake their own enquiries into the personal and financial circumstances of their customers or the financial background to transactions. It may be that the previous bank broke off the business relationship precisely because of the dubious origin of the funds. Furthermore, as the investigations of the SFBC showed, some of the payments came from third parties. It cannot be assumed, therefore, that the beneficiaries were customers of the remitting bank and that they had been thoroughly checked by the latter.

***International dimensions***

The Abacha affair is not a purely Swiss problem. As the investigations showed, it was not only Swiss-domiciled banks which accepted funds connected to Sani Abacha, but also some well-known banks in other countries. It was found that funds came not only from Nigeria but also from countries such as the United States, Britain and Austria. Funds were also transferred from Swiss banks to banks in the United States, Britain, France, Luxembourg and Liechtenstein (see *Appendix*). Some, but according to our information not all, of the countries mentioned have now taken action, frozen accounts and set supervisory procedures in motion.

## 3. Need for regulatory action at the national and international levels

Subsequent to its Abacha investigations, the SFBC looked into whether and in what respect there is a need for regulatory action at a national and international level. In general the existing legal provisions are sufficient. However a number of individual adjustments and additions are needed:

### 3.1. Revision of the SFBC's 'money laundering guidelines'

The SFBC intends to revise the currently applicable SFBC 'money laundering guidelines' circular of 26 March 1998 in view of the legal changes which have taken place since then and the knowledge gained from the investigations into Abacha funds at Swiss banks. The following points will be discussed:

#### 3.1.1 Adapting in line with amendments to the corruption law

The money laundering guidelines need to be adapted in line with the corruption legislation which came into force on 1 May of this year. This provides among other things for the recognition of active bribery of a foreign office-holder as a crime. The introduction of this new rule means bank employees will now be liable to prosecution for money laundering if they accept funds from foreign office holders which they know or can assume

stem from corruption. The new corruption law also imposes a duty to report if the bank knows or has a well-founded suspicion that the funds accepted stem from corruption abroad. According to the current SFBC 'money laundering guidelines' financial intermediaries are obliged as part of their duty to maintain proper business conduct not to accept funds which they know or can assume stem from corruption or the misuse of public assets. However, since the amendments to the corruption law, it now needs to be made clear that such action also renders liable to prosecution and can entail a duty to report.

### 3.1.2 Management to know about important customers

In a number of the cases investigated by the SFBC it transpired that the higher levels of the hierarchy in the bank were not informed about accounts even where the assets and accounts involved were comparatively large. Such a situation must be avoided in future. The SFBC is therefore looking at the introduction of a general duty on the part of members of Executive Board of banks involved in private banking business to know the personal circumstances of the bank's largest and most important customers. Every bank would have to draw its own distinction between large/important customers and other customers and set threshold values graduated according to country of origin and risk potential in its internal directives.

### 3.1.3 Clarifying the reasons for switching banks

As explained above, the fact that a customer's assets come from respected domestic or foreign banks does not release the banks from undertaking the necessary clarifications themselves when taking on a new customer relationship. This can involve asking the customer why he or she wishes to change banks, and where necessary checking the information given by asking at the customer's old bank. Another possibility could be a duty on the part of the bank which breaks off a customer relationship to warn other banks pro-actively or on request. Generally in such cases the information provided by the customer and that provided by his or her former bank does not tally and it can sometimes be difficult to clarify which version is true. Nonetheless such enquiries can provide valuable pointers in cases where there are doubts. The SFBC will therefore clarify whether an obligation of this kind needs to be expressly included in the money laundering guidelines.

### 3.2. Extension of SFBC sanctions

According to current law the sanctions available to punish due diligence infringements are not always suitable or appropriate to the infringement. SFBC measures under administrative law against individual persons responsible can often not be used, in large banks in particular, if the persons do not belong to the top management or the Board of Directors or if they no longer work at the bank. A withdrawal of a bank's licence is inappropriate except in cases of systematic infringements and organisational defects. Aside from ordering and monitoring organisational measures, often all that remains is for the SFBC simply to point out that the bank's conduct was not compatible with the responsibility to ensure proper business conduct as required by law.

If the proposals of the Council of States (upper chamber) currently being discussed in parliament are implemented, whereby a legal entity could be prosecuted, companies in themselves could be fined up to five million francs, irrespective of the liability to prosecution of any individual, if they have not taken all necessary and acceptable organisational precautions to prevent offences such as money laundering and lack of due diligence in financial transactions. Responsibility here would lie with the prosecution authorities. Attention will also need to be given to the question of whether, in the framework of future legislation, the SFBC should not be given the power to confiscate under administrative law profits from illegal transactions and those not in line with supervisory regulations. The question also applies to the SFBC's market supervisory role in the case of suspected price rigging and insider trading.

### 3.3. International regulation of the handling of funds of prominent political figures

The investigations of the SFBC revealed that financial centres in other countries as well as Switzerland were involved in the Abacha affair. As far as the SFBC can judge on the basis of the information available to it, Switzerland is the first country to have comprehensively investigated the conduct of the banks under its supervision and taken measures against the banks at fault. Switzerland is also the only country so far to have a set of regulations for funds from prominent political figures.

Switzerland and the SFBC are for these reasons anxious to ensure discussion of the issue of monies from prominent political figures in all appropriate international forums and to try to ensure that minimum international standards are created. Appropriate steps have already been taken.

## 4. Conclusion

***An extremely regrettable case***

The fact in itself that significant funds from the entourage of the former Abacha regime were deposited in Swiss bank accounts is extremely regrettable and damaging to the reputation of Switzerland's financial sector.

***Risk to reputation in respect of funds from prominent political figures***

Assumption of business relationships with prominent political figures can expose banks to significant legal risks and risks in respect of their reputation and, furthermore, have a detrimental effect on the reputation of the financial centre as a whole. The banks must therefore exercise particular care when accepting funds from prominent political figures.

***Know your customer***

The SFBC investigations demonstrate the importance of the 'know your customer' principle. Business relationships with customers from states where there is significant state influence on economic activity combined with widespread corruption and with systematic human rights abuses and political violence require particularly close attention and thorough clarification, especially when such customers wish to invest sizeable sums.

***Decisive action and co-operation on the part of the Swiss authorities***

It needs to be stressed that, thanks to decisive action and co-operation on the part of the relevant authorities (Federal Office of Police[3], investigating magistrate's office in

[3] Responsibility in the area of international judicial assistance was reassigned to the Federal Office of Justice on 1 July 2000.

Geneva) the funds were frozen in good time and will, it is expected, be returned through the judicial assistance procedures. Switzerland's financial centre has no interest in attracting assets that stem from corruption and other criminal origins.

### *Crucial importance of due diligence obligations*

Timely and careful clarification of a customer's personal and financial circumstances is extremely important. Clarification of a customer's personal and financial circumstances should wherever possible be undertaken before the account is opened. If, once an account has been opened, doubts regarding the origin of the funds which may have existed even from the outset are confirmed during the course of the business relationship, then the bank runs the risk of being burdened with unwanted funds, especially if it is no longer able to contact the customer.

### *SFBC increasing compliance monitoring*

Some banks acted correctly. However, a number of banks did not fully meet their due diligence obligations. The Banking Commission will continue to consistently punish violations of the legal provisions in the acceptance and depositing of assets. It will reinforce its efforts in the execution of money laundering legislation, including provisions with regard to prominent political figures.

### *Regulation in Switzerland generally sufficient*

The Swiss financial sector has appropriate instruments in place for keeping unwanted monies out of the country. The current regulatory environment is generally adequate and is very far-reaching in international terms. The SFBC will however, to the extent that it lies within its remit, update and add to the regulations on individual points.

### *Corruption is international – the fight against it must also be international*

The Abacha case is a clear example of the international dimensions of the issue of the deposit of corruption proceeds in the financial system. It was not just Swiss banks which accepted funds from the Abacha entourage. For this reason the minimum regulatory standards for banks with regard to the handling of funds of prominent political figures should be enhanced in step internationally. This is also a responsibility for banks with

international operations. Switzerland is so far the only country which has tried to deal with this issue. The SFBC will endeavour at all levels to put the issue of how to handle funds from prominent political figures on the agendas of the relevant international bodies.