



The Wolfsberg Forum

Implementing a Risk-Based Approach: The Swiss Perspective

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The Risk-Based Approach

The FATF Forty Recommendations (2003):

“For higher risk categories, financial institutions should perform enhanced due diligence.” (Rec. 5)

Customer Due Diligence for Banks (2001)

“Banks should develop graduated customer acceptance procedures that require more extensive due diligence for higher risk customers” (para. 20)

Wolfsberg Principles (2000/2002)

„In its internal policies, the bank must define categories of persons whose circumstances warrant additional diligence.” (para. 2)



... in Switzerland

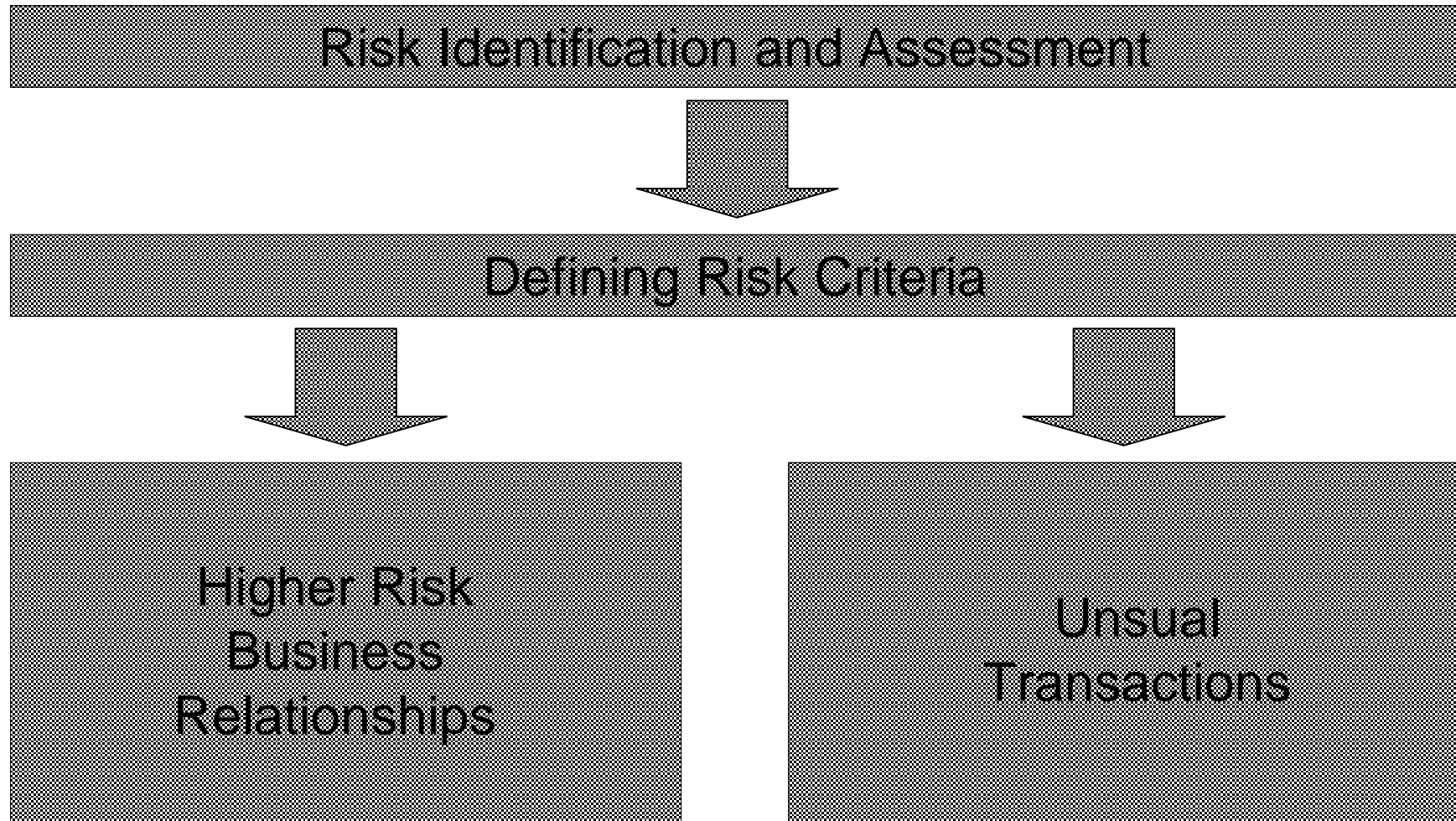
The Ordinance of the Swiss Federal Banking Commission Concerning the Prevention of Money Laundering of December 18, 2002 :

“Financial intermediaries shall take measures proportional to circumstances to carry out additional investigations into business relationships or transactions involving higher risk.” (Article 17)

(An unofficial English translation of the Ordinance is available at <http://www.ebk.ch>)

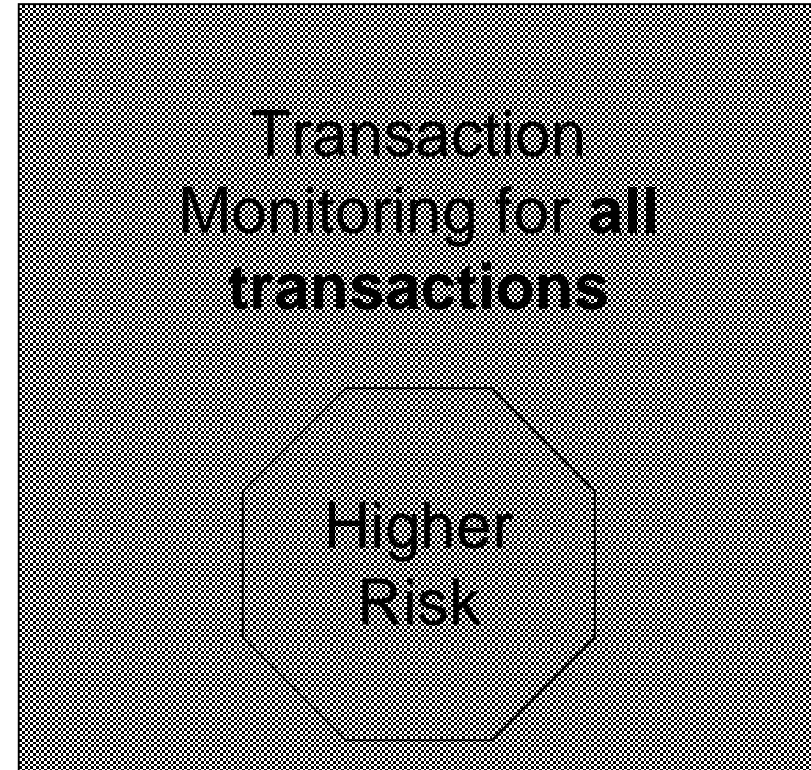
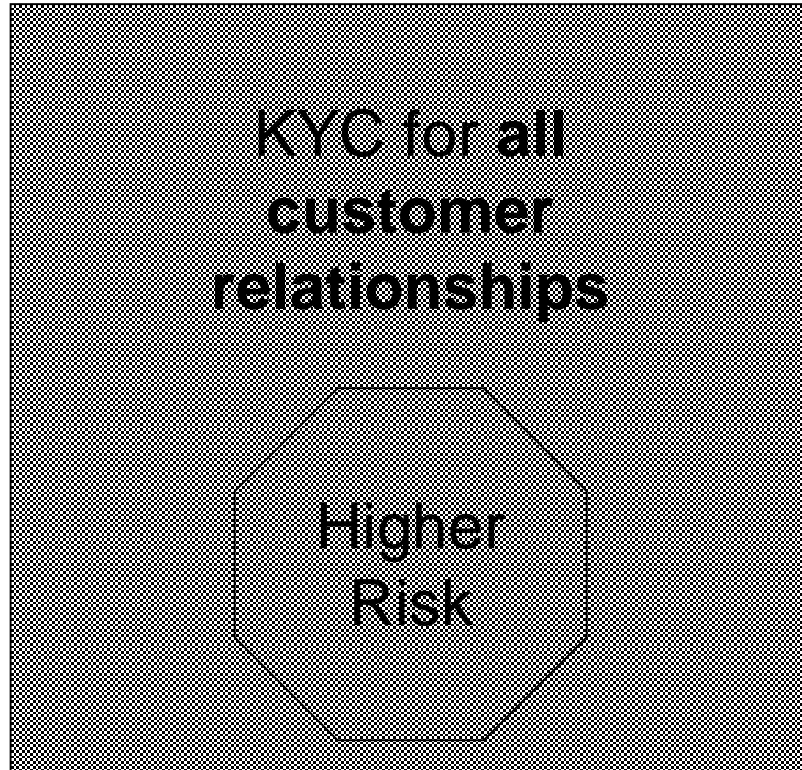


Implementing the Risk-Based Approach





Rule-based and risk-based approach combined



**Enhanced
Due
Diligence**





Enhanced Due Diligence for Higher Risk

Higher Risk (incl. PEP)

KYC



Additional Clarifications



Increased Monitoring



Responsibility of Senior Management



Management approval and review for PEP



Global KYC Risk Management

„ *Financial intermediaries shall ensure that their **foreign branch offices and group companies**, which operate in the financial sector, **comply with the basic principles** laid down in the ordinance“
(Article 3 MLO)*

„ *Financial intermediariesare required to **identify, mitigate and monitor the legal and reputational risks** associated with money laundering **on a global basis**“ (Article 9 MLO)*



...and its implementation

Managing higher risks on a global basis requires

- Ø **identifying** them **on a local basis** according to the risk-based approach
- Ø **Sharing** the information on higher risks within the group
- Ø **Assessing** the information through a **global compliance function**



Requirements under Swiss Law

Head office

“access to information on individual higher risk business relationships”

“information on individual higher risk business relationships if necessary”

Branches and subsidiaries abroad



Access to Customer Information

*„Financial intermediaries forming part of a financial group, either from Switzerland or abroad, shall allow the group’s internal control bodies and external auditors to **access any information** which may be required concerning specific business relationships, provided that such information is **essential for the management of legal and reputational risk on a global basis.**“ (Article 9 MLO)*



Challenges ahead

- Ø For **regulators** to define and refine the minimum requirements for adequate risk strategies
- Ø For **banks** to exceed the minimum – Banks need to be at the forefront of improving risk-based AML systems