



Summary

In 2005 the Financial Action Task Force (FATF) carried out an evaluation to determine whether Swiss legislation and practices for combating money laundering and the financing of terrorism were in compliance with the FATF's Recommendations. In its report published in autumn 2005, it recommended a number of changes. Some of these recommendations concerned regulation in the banking sector. Following the evaluation, the Swiss Federal Banking Commission (SFBC) commissioned a mixed working group made up of representatives from the banks and the Money Laundering Reporting Office to examine whether further regulation was required based on the recommendations of the FATF and draw up proposals where necessary. The examination focused on the applicable SFBC Money Laundering Ordinance (MLO-SFBC) and the Agreement on the Swiss Banks' Code of Conduct with Regard to the Exercise of Due Diligence (CDB).

The working group concluded that no fundamental changes were required to the current regulation in the banking sector, stating that the risk-oriented approach that underpins this system had proved its worth and should be retained. However, the working group did identify a need to adapt individual provisions in accordance with the changes made to international standards since the MLO-SFBC came into force and refine existing practices. It also said that the scope of the MLO-SFBC should be adjusted to bring it into line with the Collective Investment Act (CIA) that came into force in January 2007.

The working group proposed changes to the MLO-SFBC and also put forward recommendations for amendments to the CDB. These changes also comply with the FATF recommendations to the extent that they relate to money laundering regulation in the banking sector. The key aspects of the proposed changes are as follows:

- Amendment of the provision requiring that wire transfers include the details of the originator in accordance with international practice
- Due diligence obligations in the event of higher risk in cross-border correspondent banking relationships
- Due diligence obligations for establishments abroad (underlying principles of the Money Laundering Act and Ordinance)
- Requirements relating to the careful selection of staff
- Requirements relating to appropriate risk management in connection with the use of new technologies (Internet banking, telebanking)
- Adjustment of the scope of the MLO-SFBC to bring it into line with the new Collective Investment Act

The SFBC welcomes the working group's proposals. It is of the opinion that Switzerland requires a pragmatic, risk-oriented and principles-based money laundering regulation that is in line with international practice, and the working group's proposals take full account of this.



Eidgenössische Bankenkommission
Commission fédérale des banques
Commissione federale delle banche
Swiss Federal Banking Commission

The SFBC calls on the banks to implement measures to speed up the abolition of bearer savings books. These books are still in circulation in Switzerland, and neither the holder nor the beneficial owner is known to the banks. This practice is open to potential abuse and as a result attracted strong criticism from the FATF. Bearer savings books should therefore be banned and then abolished as quickly as is practicable. The banks are required to notify the SFBC of their progress in this regard on an annual basis (for the first time on 30 June 2008).

Comments on the proposed changes should be communicated to the SFBC by 31 August 2007 at the latest. The SFBC intends to adopt the amendments to the ordinance in autumn and put them into force on 1 July 2008.