

Press release

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FINMA concludes Panama Papers proceedings against Gazprombank Switzerland

The Swiss Financial Market Supervisory Authority FINMA has identified serious shortcomings in anti-money laundering processes regarding private clients at Gazprombank (Switzerland) Ltd. The bank failed to carry out adequate economic background clarifications into business relationships and transactions with increased money laundering risks. FINMA has banned Gazprombank from accepting new private clients until further notice.

In 2016, based on information from the Panama Papers, FINMA launched an investigation into more than 30 Swiss banks. As part of this review, it opened enforcement proceedings against Gazprombank (Switzerland) Ltd. (Gazprombank Switzerland) in relation to potential breaches of anti-money laundering rules. Gazprombank Switzerland focuses primarily on corporate clients and, in particular, on trade finance and commercial lending. In its enforcement proceedings, FINMA examined the manner in which the bank had exercised its anti-money laundering due diligence requirements for a number of business relationships involving private clients and politically exposed persons using offshore companies.

Inadequate clarification

FINMA's investigation, which was completed in January 2018, found that Gazprombank Switzerland was in serious breach of its anti-money laundering due diligence requirements in the period from 2006 to 2016. In many cases, the bank's risk categorisation of its business relationships was found to be incorrect or was carried out too late. It failed to clarify the background of business relationships and transactions with the necessary depth and attention to detail. The bank also failed to keep appropriate records of the transactions and relationships, and frequently did not validate the documentation it obtained. The bank also failed in some instances to report suspicious business relationships to the Money Laundering Reporting Office Switzerland (MROS) within an appropriate timeframe. The bank's organisation and risk management and control functions have therefore shown serious shortcomings in the prevention of money laundering.

Many of these breaches relate to relationships that were initiated by the bank's predecessor institution (Russian Commercial Bank Ltd) prior to 2009. The bank has taken various measures to improve its organization, risk management and control functions. Nevertheless, the bank has been instructed to review and, to the extent necessary, modify its anti-money laundering processes. FINMA will closely monitor the implementation of these measures and those initiated by the bank itself, and has appointed an external auditor to supervise the process.

FINMA bans private client business

In view of the shortcomings identified in the bank's anti-money laundering control system, FINMA has banned Gazprombank Switzerland from expanding its activities with private individuals. No new relationships with private clients may be accepted and existing relationships must be strictly monitored. Gazprombank Switzerland must also establish from among its Board of Directors a Risk Committee with a majority of independent members.

Conclusion of FINMA's investigations relating to the Panama Papers

Following revelations from the Panama Papers, FINMA carried out investigations at more than 30 Swiss banks, focusing on their implementation of anti-money laundering regulations. In-depth investigations were carried out at around 20 banks. Where necessary, FINMA required banks to take action to improve their anti-money laundering processes. The conclusion of FINMA's proceedings against Gazprombank Switzerland also marks the conclusion of FINMA's activities linked with the Panama Papers.

Money laundering prevention: key priority for FINMA

The prevention of money laundering is a key priority for FINMA. Over recent years, FINMA has issued on average more than ten enforcement rulings a year imposing sanctions relating to money laundering and has taken a range of measures, including the dissolution of a bank, a licence withdrawal from a fiduciary company and the disgorgement of illegally generated profits. FINMA has also enforced changes to governance structures at supervised institutions and set strict limits on certain new business activities. In the past years, FINMA has issued industry bans against eight bank managers following serious breaches of due diligence requirements. Between 2016 and 2017 FINMA launched enforcement proceedings against seven bank managers.