

## Press release

**Date:**  
21 December 2017

**Embargo:**  
---

**Contact:**  
Vinzenc Mathys, Spokesperson  
Phone +41 (0)31 327 19 77  
vinzenc.mathys@finma.ch

# Update on 1MDB proceedings against J.P. Morgan

**At the end of June 2017, the Swiss Financial Market Supervisory Authority FINMA concluded enforcement proceedings against J.P. Morgan (Switzerland) Ltd. The bank seriously breached anti-money laundering regulations by failing to screen adequately transactions and business relationships booked in Switzerland associated with the Malaysian sovereign wealth fund 1MDB and one of its business partners.**

Enforcement proceedings conducted by FINMA between May 2016 and June 2017 uncovered serious shortcomings in the anti-money laundering controls of J.P. Morgan (Switzerland) Ltd (hereinafter J.P. Morgan) in connection with business relationships and transactions associated with the allegedly corrupt Malaysian sovereign wealth fund 1MDB. FINMA's ruling, which has not been appealed, is final and binding.

### **Inadequate controls**

J.P. Morgan failed to adequately identify the increased money laundering risks in some of the business relationships related to this case. In other relationships, while the bank correctly identified the clients as politically exposed persons (PEPs), it managed the increased risks arising from these relationships inadequately. In managing these business relationships, the bank accepted incomplete or inconsistent information from clients without examining it further or documenting it. The bank's internal monitoring and control system in place at the time also proved insufficient: some system-generated alerts warning of heightened risks were ignored or the information provided by clients was accepted as plausible without further clarification.

### **Insufficient monitoring of transactions**

The bank failed in particular to identify the money laundering risks relating to cash flows between business accounts and personal accounts. In one case, it credited hundreds of millions of US dollars from the 1MDB sovereign wealth fund, allegedly earmarked for the purchase of a company, to the personal account of an individual with close ties to a 1MDB business partner. It subsequently transferred a tranche of this money to the account of a company associated with that individual. In doing so, the bank questioned

neither the economic purpose of the transactions, the procedure involved, nor the substantial amount that remained in the personal account.

### **FINMA to closely monitor the bank's control system**

Given the inadequacy of the bank's controls and the serious breaches which have been identified in this case, FINMA will conduct an in-depth review of the bank's anti-money laundering systems. To this end, FINMA has appointed a monitor to carry out an on-site review of the appropriateness and functioning of the bank's controls and monitor them on an ongoing basis. This review focuses primarily on the handling of high-risk transactions including, in particular, the monitoring of transactions between personal and business accounts. FINMA has also brought this case to the attention of the Office of the Comptroller of the Currency (OCC), the US regulator with overall responsibility for J.P. Morgan.

In contrast to other proceedings relating to 1MDB, FINMA has decided not to initiate enforcement proceedings against any individuals based on the outcome of its investigation. Additionally, no monetary penalties or business restrictions have been imposed on J.P. Morgan, which displayed good cooperation during the FINMA-led investigation.

### **FINMA investigating a number of 1MDB cases**

These enforcement proceedings are one in a total of seven such cases brought by FINMA in relation to 1MDB. One of these cases remains open.

The prevention of money laundering is a top priority for FINMA. In recent years, FINMA has issued an average of more than ten enforcement rulings per year in this area and has taken a range of measures including the dissolution of a bank, the withdrawal of authorisation from a fiduciary and disgorgement orders. It has also enforced changes to governance structures at supervised institutions and set strict limits on new business activities. In the past five 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 office holders in connection with the 1MDB case.