

Swiss financial regulator calls 1MDB and Petrobras cases 'clear corruption'

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The Swiss Financial Market Supervisory Authority (Finma), which is responsible for Switzerland's financial regulation, has described the Malaysia's 1MDB and Brazil Petrobras scandals as "clear cases of corruption".

Finma chief executive officer Mark Branson was referring to money from the two entities which passed through the Swiss financial system.

He called 1MDB and Petrobras prime examples of money laundering risks that Switzerland is facing.

Branson then went on to outline what he said were troubling aspects to both cases.

"These are not events from years ago – the money was still being accepted until quite recently. We are not talking about legacy issues.

"From what it looks like, we are not dealing here with shades of grey. The evidence points to clear cases of corruption.

"The extent of the cases and the sums involved are vast. We are talking about cash flows amounting to several billion US dollars, with individual transactions running into hundreds of millions.

"Those are significant sums of money for developing nations like Malaysia and Brazil, in which the average monthly income is less than US\$1,000," he told the Finma Annual Conference 2016 in Berne, Switzerland, today.

A copy of his speech was uploaded on Finma's website.

Money laundering risk for Switzerland

Branson used the examples in highlighting the increasing risk of money laundering in Switzerland and the need for the country to consistently apply anti-money laundering rules.

"A number of Swiss banks are involved in both the corruption scandal surrounding Brazil's Petrobras and the suspicious cash flows linked to the Malaysian sovereign fund 1MDB.

"Finma has carried out investigations into more than 20 banks in connection with these cases, and has opened seven enforcement proceedings against institutions.

"There are concrete indications that the measures those banks had in place to combat

money laundering were inadequate," he said.

Branson also noted that such scandals is not restricted solely to the Swiss financial centre.

"We know that suspect funds also passed through banks headquartered in the US, the UK, and the Middle East. Transactions were also processed via many other international financial centres.

"That makes the investigations correspondingly complex, involving prosecutors and supervisory authorities from four continents.

"Be that as it may: such cases damage the reputation of the Swiss financial centre.

"If the Swiss banking system is misused for money laundering on a large scale, that puts it in a poor light," he said.

Branson called for the consistent enforcement of financial regulations and vigilance in detecting money laundering.

"In these cases, we can already see that some institutions had too big a risk appetite. They took on wealthy clients whose backgrounds were unclear.

"They carried out transactions for them, even though their motives were unclear. They also charged fees which seem to be excessively high.

"How can we tackle this problem? In my view, the answer is not to rework the regulations once again. Rather, the existing rules need to be applied systematically and consistently.

"Responsibility for doing that lies with the banking institutions and their staff. There needs to be a greater sensitivity to money laundering risks," he said.