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Karlina Fortier

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ABSTRACT

The paper presents an in-depth look into the complex issue of money laundering in Switzerland. What will be presented are findings pertaining to who is involved or responsible for carrying out, or mitigating money laundering. Particularly, inefficiencies arise in the way the conviction process for money laundering scandals are carried out for big banks such as UBS and HSBCs Swiss subsidiary. Furthermore, Simon Zedek's Civil-Learning Tool will be used to identify how much social responsibility UBS and HSBC have when money-laundering scandals do occur. The evidence will provide that UBS and HSBC both react in the "denial" stage and deny any wrongdoing to the bitter end. Another comparison between Switzerland and Canada will be made to illustrate that regulating money laundering is difficult to control even in other parts of the world. What will be revealed towards the end of this paper is that the lack of regulation from the Swiss Financial Market Supervisory Authority (FINMA) isn't the issue. Alternatively, the issue arises in the end process where there is lack of enforcement and control by Swiss law authorities and intelligence agencies in carrying out harsh consequences for money laundering.

What is Money Laundering?

Money laundering is a scheme that involves disguising the origin of illegally acquired money to make it appear as if was derived from a valid source. With the rise of economies attracting global funds, criminals take advantage of the complex inadequacies, and grey areas of the financial options available for international customers. Therefore criminals set up international bank accounts where there are loopholes such as rigid bank secrecy rules, lack of "know your customer" requirements, and scarce monitoring for cross-border currency movements (FATC, n.d.). Additionally, countries that are considered tax havens and have little to no reporting requirements for large cash transactions are especially attractive for launderers.

Three Phases of Money Laundering

There are three steps to the money laundering process: placement, layering, and integration.

Placement: First, the introduction of assets such as "dirty money" is placed into the financial system. This is meant to alleviate the inconvenience of carrying around large sums of money. The money is placed in foreign bank accounts by either smuggling cash, or using many individuals (called "smurfs") to turn the illicit money quickly into liquid assets such as bank drafts or bank notes. However, during this stage the criminal is most susceptible to getting caught. This is due to the action of placing the initial deposit of a large sum of money into a bank account; thus, raising suspicions of the financial institution. One strategy meant to reduce suspicion levels is a process called smurfing (About Crime Business Solutions, n.d.). Smurfing involves using multiple runners to exchange smaller amounts of illicit funds for liquid assets such as traveller cheques or bank drafts. Therefore instead of depositing one large lump sum, multiple liquid

assets are used to be able to deposit money into the savings account in smaller, less suspicious amounts (About Crime Business Solutions, n.d.).

Layering: Next, this stage entails spreading illicit funds around in order to obscure the audit trail and conceal the origin of the crime. The process involves electronically transferring funds into different international bank accounts that are most often set up as bogus companies (About Crime Business Solutions, n.d.). Alternatively, funds can be split up and placed into advanced financial options or overseas markets. Ultimately, this step is completed successfully by exploiting discrepancies in countries where there is legislation and delays in legal conducts regarding the banking sector.

Integration: In this last step the money is returned to the criminal. The goal is to return the money back to economy by appearing as legitimate earnings (About Crime Business Solutions, n.d.). Thus, criminals do this in a way that doesn't draw too much attention. One way that the criminal collects his illicit profits is by establishing a local bank account and having it appear as a business. Therefore final placements of high amounts of laundered money can be disguised as accounts receivable transactions being collected from bogus customers. Once the illicit funds reach this bank account, the criminal now holds the profits from the illegal activity conducted and is in control of using the illegal earnings in any which way. An illustration of this conduct can be seen in Figure 1.

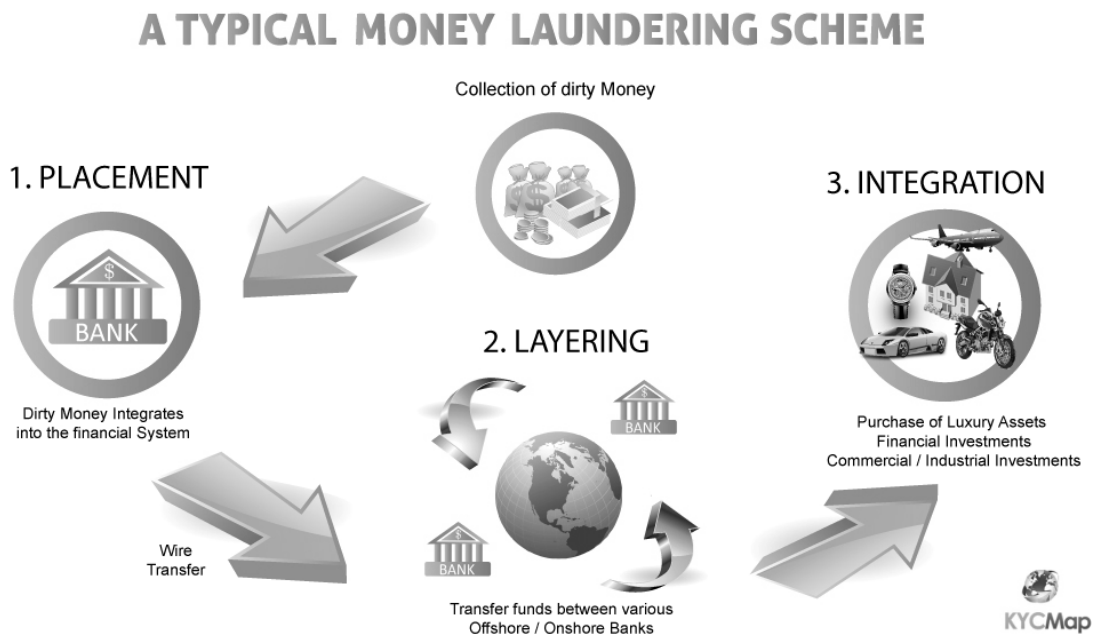


Figure 1. A Typical Money Laundering Scheme (KYCMap, ND)

Type of Crime Associated With Money Laundering

Money laundering is a huge component for serving the conduct of serious crimes such as embezzlement, tax avoidance, illegal gambling, prostitution, drug trafficking, human trafficking, and terrorism (FATC, n.d.). Clearly some of these activities associated with money laundering are more serious than others. However, money laundering is a serious criminal offence no matter what the launders intention may be. Whether for own personal benefit or to fund activities aimed at causing harm to other human beings. When money laundering successfully occurs, the criminal is profiting from illegal activity that is taking place within the black market.

Why Money Laundering in Switzerland?

Switzerland is well known, specifically by money launders for being a world-renowned financial hub. Furthermore, Switzerland is a geographically central country in Europe that uses the relatively stable currency of the Swiss Franc (CHF), has a strong political structure, and is home to financial institutions that still offers highly valued privacy protection (U.S Department of State, 2013). Overall, these characteristics contribute to the success of the financial sector in Switzerland. However, these noteworthy characteristics that Switzerland has developed, also attracts money launderers looking to exploit opportunities within the financial sector.

The political and economic stability that characterizes Switzerland is another reason for being an attractive place to conduct money laundering within the land of neutrality. For more than 150 years, peace and independence has characterized the political characteristics of this country. Which makes it attractive for those looking to place funds into a Swiss bank account due to a strong legal framework and political structure that has gained a very trusty economical reputation. This contributes to giving those a peace of mind when holding large sums of money in Swiss bank accounts. Additionally what will be later be looked at in another section, is the corruption that takes place when the Swiss government enforces consequences on financial institutions caught aiding launders.

For more than 10 years, the Swiss Franc (CHF) has proven to be a valuable currency due to its strong stability. The Swiss Franc has increased in value over the years mainly due to the European debt crisis and the accommodative monetary policy initiated by the US Federal Reserve (Blystone, n.d.). Also, as of January 15th the Swiss National Bank (SNB) removed the peg of 1.20 CHF per EUR, which initially made the Swiss Franc worth more than both the EUR and US dollar (Blystone, n.d.). Ultimately, this attracts investors or criminals looking to gain an advantage in holding funds valued in CHF in Swiss financial institutions.

As of 1934 a law has restricted Switzerland from sharing account activity of clients within financial institutions to tax authorities, foreign governments, and Swiss authorities (Nestmann, 2014). However, in 2013 Swiss governmental authorities have agreed to sign an international agreement with the Organization for Economic Co-operation and Development (OECD) to end bank secrecy for clients that will be fully in place as of 2018 (SWI, 2015). This is meant to alleviate the reputation of Switzerland being the world's largest place for offshore accounts that run the high risk of being used for acts of money laundering. Of course the transition that Swiss financial institutions have to go through in order to completely dismiss bank secrecy services from their operations will take time. Such changes will include alternating banking services that are meant to create a more transparent financial system. Features offered in the Swiss banking industry that will be better regulated are accounts that are enlisted numerically. Furthermore, numerical accounts will come with tight restrictions, valid reasoning for the need or use of a numerical bank account, and a large annual cost.

In the meantime Swiss banking systems still offer optimal privacy protection services when compared to most other countries. However, recently Swiss officials have been forcefully trying to defeat money laundering specifically in financial institutions due to external pressure. As a result, rules have been tightened regarding the process to opening up a Swiss bank account. In order to open up a Swiss bank account at one of the bigger financial institutions (UBS, Credit Suisse, HSBC) one has to go through quite the process. With the intention to sift out criminals looking to open up a bank account, an extensive documentation package is required by financial institutions. This package is to be filled out in order to

reveal the clients' identity, address, professional status, and the source of the funds deposited (Premium Switzerland, n.d.). Although, after a Swiss bank account is set up, it is currently hereby considered illegal for the staff of the financial institution to reveal any information about the activity of their clients' accounts to anyone other than judicial authorities with a valid reason or warrant. On the contrary, international governments have placed a lot of pressure on Swiss authorities to reveal personal data of clients in order to follow through with the conviction process for their national citizens suspected of laundering money in Swiss bank accounts. Therefore, routine compliance checks for all Swiss banking accounts are carried out by Swiss financial institutions that are meant to crack down on unlawful activity that is occurring in financial institutions (Expatica, 2015). Conclusively, bank secrecy characteristics that Switzerland possessed for many years has attracted launders from all over the world. However, due to recent legislative reformations and tightening of internal security measures within financial institutions aimed at dismissing bank secrecy within the financial sector, the crack downs on launders is on the rise. Although, as mentioned before, the change in Swiss legislation to fully enforce a law to end bank secrecy won't go into full effect until 2018. Which ultimately gives those laundering illicit funds in Swiss bank accounts a chance to take advantage of bank secrecy rules for a couple more years.

Money Laundering Is Still A Growing Problem

On June 6th 2015 a meeting was held in Bern, Switzerland (Switzerland's capital) by the Federal Council regarding a report that has been conducted with retrospect to money laundering and terrorist financing within Switzerland (Swiss Federal Council, 2015). According to this report, Switzerland is still susceptible to financial crime and serves as a geographically attractive location for the laundering of assets coming from crime that is commonly committed abroad. Furthermore the report states that the crime most associated with money laundering in Switzerland is embezzlement, fraud, corruption, and organized crime. Additionally, the report also covers the level of risk in different areas where money laundering occurs such as in financial institutions, casinos, payment services, and insurers. The highest risk area being universal banks. However, overall Switzerland possesses a medium risk when considering all areas as a whole (Swiss Federal Council, 2015).

Universal Banks in Switzerland: Money Laundering Case Examples

As mentioned earlier, the highest risk areas for money laundering are universal banks due to the variety of different financial services they offer, which simultaneously increases the likelihood of money laundering activity. These banks include services such as credit/lending, deposits, asset management, investment advice, payment transactions, stock exchange transactions, bond issuing, and financial analysis (Investopedia, 2015). Additionally, the other parties or components associated with the money laundering scheme are of course the criminals, and sometimes as well as employees who participate in the aid of the money laundering process.

The two universal banks that will be explored in depth regarding money-laundering activity are UBS and HSBC. Both UBS and HSBC have experienced negative attention in the media regarding money-laundering scandals.

Starting with using one of Switzerland's largest banks, UBS is a universal bank that was founded in 1862 and is co-headquartered in Zurich and Basel. This case will illustrate the discrepancies in UBS's management to uncover suspicious account activity. Which will be seen, leads to the opportunity for money laundering. It must be noted that some bank employees work on behalf of clients instead of working to sustain a positive image for UBS. Often times, in order for criminals to successfully launder

illicit funds, employees of financial institutions are coerced or bribed into aiding in the process to carry out this form of illegal activity. In a case involving UBS, the largest drugs money laundering case in Switzerland was brought to the public's attention in the 90's. This scandal included a vice-president of UBS who was suspected, and later suspended from aiding an international client from Columbia who was a part of a notorious drug cartel. The bank account that was used to hold CHF 150 million was opened in the 1980's, and had little activity for 10 years. After 10 years the account was unfrozen and used to launder illicit funds (Rodgers, 1994). UBS stated that there was little reason for suspicion, as it appeared to be set up as a large, legitimate business account. However, it was soon uncovered by Swiss authorities that the account was used for holding profits derived from drug trafficking.

Swiss authorities in Zurich notified UBS of this criminal case long before the account was investigated. The CHF 150 million was eventually seized and the case went under investigation by The Swiss Banking Commission in order to discover UBS's overall procedure for detecting money laundering. This case shows the delay on UBS's behalf to conduct investigation regarding money laundering within their institution. Furthermore, the slow detection process serves as a loophole for those storing illicit funds in a financial institution such as UBS.

Another case that involves UBS is designed to illustrate the risks of being a whistle blower in financial institutions. Bradley Birkenfeld blew the whistle on a tax evader, which may not be directly related to money laundering. However, his story can still influence other financial industry insiders to remain silent with information that could capture those currently involved in unlawful activity such as money laundering. Bradley Birkenfeld was a former employee at UBS that revealed 19,000 accounts that were used for purposes such as tax evasion (Javers, 2014). However, Bradley wasn't a saint as he was initially involved in helping a US client evade millions in taxes. He was eventually caught and soon after he decided to blow the whistle on other tax cheaters and the illegal business conducts that were going on within UBS. Bradley Birkenfeld revealed illegal practices within UBS to the U.S Department of Justice, the Securities and Exchange Commission, the IRS, and the Senate Permanent Subcommittee. He then spent two years for his wrongful involvement, but the most noteworthy fact was that he was the only one charged in this controversy. As a result, Bradley's case influences other potential insiders throughout financial institutions such as UBS from coming forward with information pertaining to accounts used for not only tax evasion, but money laundering as well. Furthermore, Bradley risked his career in the banking industry to come forward with confidential information that would eventually expose his former employer, UBS of insider information. This ultimately displays a sense of disloyalty to keep information confidential. With this reputation it will be hard to find a job in a banking institution again. Nevertheless Bradley exemplifies how whistle blowers are treated, and this can definitely prevent others who know information about money launders from stepping up. Money laundering as said before is often times related to serious crimes. Therefore, the prevention and better protection for whistle blowers who come forward could be handled better; Brad Birkenfeld's case is a prime example.

"The fact that I am the only person behind bars as a result of the international banking scandal sends a chilling message to future financial whistleblowers: if you come forward to expose illegal banking practices, you could go to jail. The previous administration did not take full advantage of the information I gave them."

-Bradley Birkenfeld (Birkenfeld, 2012)

A recent money laundering case featuring HSBC's Swiss subsidiary will now be used as another example to illustrate which parties were involved and how prosecution measures were carried out. In June 2015 it was announced that HSBC has recently paid 40 million CHF and has been given a final warning for "organizational deficiencies" by Geneva authorities (Garside, 2015). These "organizational deficiencies" were brought to the Swiss authorities' attention in 2006 by a whistleblower by the name of Herve Falciani, who was hired to reorganize and construct better security measures to protect the database of HSBC. Instead, he took the data to uncover thousands of clients suspected of tax evasion through money laundering in HSBC Swiss bank accounts. What was also uncovered was that the majority of these accounts belonged to international clients, making this case the largest global investigation that involved many different government officials around the world. International authorities from countries such as the US, Belgium, and France were the primary countries involved in the investigation process. These countries were looking to obtain information about their nationals who were found by Herve Falciani to be using their HSBC Swiss bank account for illegal activity such as money laundering. These suspected launders obtained an account at HSBC's Swiss subsidiary through one of six ways: Swiss residency, having non-domiciled status, having an off-shore trust in Switzerland, converting personal accounts into corporate accounts, smuggling, and the simplest being to have an account and not informing the government or tax authorities about (Garside, 2015) it. Furthermore, these clients involved in money laundering acts were tied to marijuana sales, Chinese triad counterfeiters in Spain, and Mexican cartels (Garside, 2015). HSBC was under investigation for the period of 2006-2015 regarding this case, however an agreement has been made to not follow through with any charges due to the large financial settlement that has been made. Additionally the amount paid was called "compensation" rather than a fine. Later, HSBC made a public apology to its clients and investors for its faults and has promised to make reformations in the tightening of management to evade money laundering. Additionally, HSBC took the initiative to reduce its client base from 30,000 accounts to 10,000 during the period of 2006-2014 that was meant to sift out suspicious accounts (Garside, 2015).

"This affair demonstrates the weakness of Swiss law at the point where funds enter the system. When we have a law that doesn't punish financial intermediaries accepting doubtful funds then we have a problem. This problem dates from long before the HSBC affair".

-Olivier Jorrot (Garside, 2015)

The fact that HSBC was able to get away with not being charged with acts of money laundering creates question as to how serious the financial laws are taken in Switzerland. When financial compensations are enough to dismiss charges due to the involvement in money laundering, this exemplifies yet another loopholes in the financial sector. One primary grey area in HSBC's operations that seen in this case was that some clients who possess enough wealth can pay their way into obtaining a HSBC Swiss bank account. By living in Switzerland for a couple months a year, a permanent Swiss address can be obtained, which grants a client authorization to open a Swiss bank account. Alternatively, wealthy clients from places such as the UK who have been granted non-dom status can enjoy tax benefits for foreign income (Ball, 2015). Launderers can exploit this non-dom status by claiming their illicit funds to be a source of legitimate foreign income. Therefore the wealthy have the opportunity to purchase their way into obtaining a Swiss bank account by paying a large fee; thus displaying corruption in the business operations of HSBC. Another area where corruption is seen is in the way Swiss financial laws are conducted. The reason being that HSBC was able to pay a hefty fee without the requirement to admit any guilt or endure any charges. Also, as a result clients that were, or still are associated with money laundering can also hide behind the financial law due to the conviction process being dropped after HSBC paid its fee. Thus, Swiss authorities

have dropped the case and no individual charges have been made as of late. However, Swiss authorities did follow through with convicting Herve Falciani for being a whistleblower in the case, which will later be discussed. Meanwhile, the Swiss government received a nice payout amount, and HSBC was essentially able to pay its way out of avoiding negative publicity that may have been detrimental to HSBC's value to shareholders or investors if charges were made. Furthermore, the clients that were involved in laundering of illicit funds are free to continue their operations with no consequences for their wrongdoing.

“Banks such as HSBC have created a system for making themselves rich at the expense of society, by assisting in tax evasion and money laundering”.

Herve Falciani (Buck & Stothard, 2015)

The conviction process for Herve Falciani is one that can be related to Bradley Birkenfeld. Being a whistleblower in Switzerland doesn't make one a hero as some may think. As seen from Bradley Birkenfeld and Herve Falciani, Switzerland doesn't reward whistleblowers to any extent. Instead, Swiss authorities seek to penalize those that are courageous enough to come forward with information leading to those suspected of using their bank account for illegal activity. Furthermore, when a whistleblower isn't involved in any wrongdoing such as aiding clients to tax evasion like Bradley Birkenfeld, it becomes very clear that there are some deficiencies within the way Swiss authorities handle financial related cases. For Herve Falciani, he wasn't convicted by Swiss authorities for aiding any clients for accounts held for use of money laundering. Instead he was convicted for the responsibility of publicly revealing 130,000 accounts that were suspected to be for use of money laundering. Herve took this information over to share with French authorities and other European governments. As a result Herve was convicted and arrested on a Swiss arrest warrant in Barcelona, Spain where he was living in the summer of 2012 and was detained for more than 5 months (BBC, 2015). However, it was under Spanish authority's decision to let Herve go without any charges as revealing information regarding corruption due to bank secrecy is not a crime in Spain.

“The OAG (The Office of Attorney General) accuses the former computer technical analyst at the HSBC Private Bank in Geneva of having transmitted data, from February 2008, from his erstwhile employer's database to Lebanese banks, to the Paris-based Direction nationale d'enquêtes fiscales (National Directorate of Tax Investigations), and to other foreign authorities. The data in question concerned bank-internal processes as well as information on bank accounts of HSBC clients.”

(Office of Attorney General of Switzerland, 2014)

INTRODUCTION OF SIMON ZEDEK’S MODEL – CIVIL LEARNING TOOL



Figure 2. The Civil Learning Tool. (Zadek, 2004)

The civil learning tool is useful for analyzing the intensity of a particular societal issue (money laundering) and accessing what stage of social responsibility an organization is at compared to their competitors. The two dimensions of the original civil-learning tool are organizational and societal learning (Zadek, 2004). The x-axis of the civil-learning tool is “Issue Maturity”, which is influenced by the level of society’s concerns and criticism towards a matter. The “Issue Maturity” can be rather influenced by “Societal Learning”. Furthermore, the higher the societal concern and awareness, the greater the stage of “Issue Maturity” becomes. The four main stages of “Issue Maturity” are latent, emerging, consolidating, and institutionalized; all of which are listed respectively. In the ‘latent’ stage the issue is very weak and most likely ignored. When an issue is considered ‘emerging’ there is media awareness and a heightened amount of research; however, hard evidence is still very weak. The third stage is ‘consolidating’, which signifies the growing amount of need for a legislation concerning a particular issue and adopting an emerging body. The last stage is when a social issue becomes ‘institutionalized’, to which legislation is in place and ethical standards are heightened. When a social issue arises the matter is placed into a designated stage accordingly. Conclusively when an issue moves towards higher levels of maturity, it becomes mainstream. Thus, resulting in debates and business commitments of ethical reformation to which laggards must follow suit.

The y-axis of the civil-learning tool is that of “Organizational Learning”. Organizational learning exemplifies that when an issue arises, institutions go through five stages that gradually leads to stronger corporate responsibility initiatives. The first stage is the ‘defensive’ stage to which a company is in complete denial and refuse any wrongdoing. The second stage is ‘compliance’ and exemplifies that a company does the bare minimum to avoid a reputational catastrophe, such as agreeing to accept a policy-approach to better business standards. The third stage is that of ‘managerial’ and relates to a company adopting standards at a managerial level to introduce into everyday business practices. The fourth stage is ‘strategic’ and involves taking the initiative to adopt a particular societal issue into the core business strategy. The fifth and final stage is that of ‘civil’, and pertains to a company being proactive and actively taking the roll to promote industry wide participation in obliging by rightful participation in ethical standards (Zadek, 2004).

APPLYING THE CIVIL-LEARNING TOOL TO UBS AND HSBC

The application of the civil-learning tool is intended to analyze the comparison between the two competitors, UBS and HSBC, with regards to organizational learning (y axis) and issue maturity (x-axis). The two cases presented earlier on HSBC and UBS will be used to apply to the model and exemplify how each financial institution responds to money laundering scandals.

First, the issue maturity (x-axis) of money laundering in Switzerland will be focused on. It can be seen that as of right now, money laundering in Switzerland is in the “consolidating” stage. As of right now there is a growing amount of need for legislation to tighten up its laws on money laundering within financial institutions. As seen from the HSBC case, financial compensation overrides the need to go forward with a conviction process, which poses the thought of corruption in the way Swiss authorities handle financial issues. Thus, showing how much power big financial institutions located in Switzerland have over Swiss authorities. Which gives the need to call for the implementation of better legislative initiatives. However, Switzerland does have the potential to increase the issue maturity of money laundering into the “institutionalized” phase by the year 2018. Which will simultaneously force financial institutions in Switzerland to adopt better ethical standards due to the fact of the Swiss government signing the international agreement with the OECD. Which is meant for Switzerland to promise to enforce stricter legislations pertaining to the increase in transparency within the financial sector.

Moving onto the organizational learning (y-axis) of the separate cases of UBS and HSBC. This significance of organizational learning is to create a better understanding as to how these institutions respond to money laundering scandals. Thus, showing how serious money laundering is taken in these institutions.

First, the exploration of UBS’ case on Columbian clients using their accounts to launder money will be explored. UBS’s response to this scandal was in the “defensive” stage. The spokesman of UBS, Gertrud Erismann states: “it was a normal account – a big one, but we have other big ones. We had no reason to be suspicious” (Rodgers, 1994). Erismann’s statement signifies that UBS denies any wrongdoing, involvement or responsibility in the scandal. Gertrud Erismann also stated “at all banks in the world there is criminal money but the problem is you do not see it” (Rodgers, 1994). Thus, further providing evidence that UBS was certainly in the denial stage and chose to turn a blind eye to the fact that an employee was arrested in the case.

Moving onto using the example of the HSBC case which, involved thousands of accounts used for money laundering being revealed by Herve Falciani. HSBC denied being associated with aggravated money laundering, and the case was ultimately was closed without any admission of wrongdoing (Titcomb, 2015). Which suggests that HSBC reacted in this case in the “denial” stage given that they don’t wish to acknowledge any case of unethical conduct, or organizational deficiencies that had recently been brought to the attention by Swiss authorities. HSBC stated after the money laundering investigation was dropped that, “in recent years the Bank has undergone a radical transformation. It has implemented numerous initiatives designed to prevent its banking services being used to evade taxes or launder money” (Titcomb, 2015). However, this statement proves to be very vague with no exact reasoning or specific event that initiated the reformation of HSBC’s business operation. Therefore HSBC remains in the “denial” stage in this case.

As a result, what can be seen from applying the civil-learning tool to these cases is that UBS and HSBC react quite similar to the issue of money laundering. Which suggests that UBS and HSBC take the same

level of social responsibility when money-laundering issues arise. Since money laundering can be seen as a mainstream issue, it is interesting to know UBS and HSBC don't seem to take the initiative to adopt higher levels of organizational learning.

COMPARISON OF MONEY LAUNDERING REGULATORS: CANADA

Canada has been facing increasing pressure in recent years to enforce better efforts to mitigate money laundering (Macdonald & Trichur, 2015). In 1999 the National Initiative to Combat Money Laundering as to further provide more support on combating money-laundering acts (About Business Crime Solutions, 2015). However, recently Canada was listed by the U.S State Department for being of "primary concern" for money laundering (Macdonald & Trichur, 2015). Furthermore, it has been announced in the media that Canada's top money laundering controls have failed on many occasions. The Office Superintendent of Financial Institutions (OSFI) has discovered that between the years 2009 and 2014, there had been 72 failures of money laundering scandals (Macdonald & Trichur, 2015). However, the names of the banks involved couldn't be included in the document and it wasn't clear if any of the banks involved received any charges (Macdonald & Trichur, 2015).

The primary regulator for money laundering in Canada is Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). The responsibilities that FINTRAC has include taking on an important position in the constellation in relation to the organizations involved in Canada's fight to combat money laundering and terrorism (FINTRAC, 2015). FINTRAC focus on financial intelligence and looks to provide strategic measures to uncover important trends for money laundering. Furthermore, when FINTRAC gathers a sufficient amount of information that would be useful in the conviction process of a money laundering case the findings are then handed over to law enforcement and intelligence agencies (FINTRAC, 2015). The law enforcement and intelligence agencies that are responsible for carrying out the conviction process include Royal Canadian Mounted Police (RCMP), provincial and municipal police agencies, Centre of Strategic and International Studies (CSIS), Canadian Revenue Agency (CRA), and Citizen and Immigration Canada (CIC) (FINTRAC, 2015).

In Switzerland, mechanisms to combat money laundering were set in place with an Agreement of Due Diligence in 1977 (Swiss Banking, ND) primary regulator is Swiss Financial Market Supervisory Authority (FINMA). Furthermore, Switzerland is in compliance with the Financial Action Task Force (FATF). The FATF is an inter-governmental body that is responsible for carrying out third country evaluations. The 2012 revised areas of concern were in the field of bearer shares, establishing the beneficial owners of legal entities, politically exposed persons, serious tax offences as a predicate to money laundering, and improved efficiency of the reporting system (Swiss banking, n.d.).

Switzerland's main regulator for money laundering in Switzerland is FINMA. The main purpose of FINMA is to regulate all financial service providers and to make sure that they comply with the rules. Furthermore, FINMA is responsible for authorizing banks, insurance companies, stock exchanges and other market participants (FINMA, 2015).

It is clear that Canada and Switzerland put forward effort into combating money laundering with the initiation of regulators. However, there are still inefficiencies in the regulatory system of each country. This shows how difficult it is to fully combat money laundering due to its complexity.

CONCLUSION

The phenomenon of money laundering in Switzerland can be seen to be an area of concern in the financial sector. The lack of control in the conviction processes was seen in the presented cases of UBS and HSBC. Furthermore, due to the fact that these universal banks react with the attitude of denial shows that there is no willingness to accept social responsibility. Alternatively, banks such as HSBC can buy their way out being charged with convictions related to money laundering. Furthermore, the way whistle blowers are treated doesn't set a good example for other potential whistleblowers that potentially would come forward. These whistleblowers could help the Swiss government to control money-laundering issues, but instead they are penalized. Overall, this report showed the inefficiencies in the way money laundering cases are handled by Swiss law enforcement.

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