

# Audit of the fulfilment of tasks by the Money Laundering Reporting Office Switzerland Federal Office of Police

## Key facts

---

The Swiss financial centre manages around CHF 7,900 billion in assets and almost half of its clients come from abroad. Switzerland manages about a quarter of the world's cross-border assets, putting it ahead of Hong Kong and Singapore. However, in the Basel AML Index, Switzerland ranks only 27 out of 32 within the European Union and the rest of Western Europe. The main reason for this poor ranking is the Financial Secrecy Index (FSI), which measures a country's lack of transparency (e.g. registers, bonded warehouses, company ownership) and tax avoidance opportunities.

In this tense environment, the Money Laundering Reporting Office Switzerland (MROS) has the task of analysing approximately 5,000 suspicious activity reports (SARs) per year from financial intermediaries (FIs, 90% of which are banks) with an average value of CHF 15.5 billion and, if necessary, forwards the results of its analyses to the federal or cantonal prosecution authorities, or to its foreign partner authorities (financial intelligence units – FIUs).

In this report, the Swiss Federal Audit Office (SFAO) assesses whether MROS effectively and efficiently fulfils its tasks within the Federal Office of Police (fedpol) in light of the new direction it has taken. The quality of cooperation with the offices of the public prosecutors, FIs, FIUs and key national authorities (such as the Swiss Financial Market Supervisory Authority – FINMA) was also the focus of the audit.

The strategy adopted in 2019, the new organisation and its current processes mean that MROS is well positioned for the future. However, MROS alone cannot be a guarantor for effective money laundering prevention in Switzerland. Close national and international cooperation between the authorities involved, effective anti-money laundering legislation and the will of the private financial sector are needed.

### **The new strategy is appropriate and MROS has the necessary operational independence**

The new MROS strategy for 2020 is convincing. The objectives are ambitious and still in the implementation phase. Along with the strategy, MROS also improved its organisation and processes. Its employees, who will soon number over fifty, have a diversified range of expertise and this number represents a threefold increase in personnel over the last seven years. At the same time, the volume of reports has quadrupled since 2015.

MROS has been part of fedpol since it was founded in 1998. Close cooperation in the fight against crime makes sense and MROS can also benefit from fedpol's infrastructure. MROS retains the necessary independence in its core processes. However, due to the special position and growing importance of MROS, it would be advisable to have rules of procedure similar to those for the internal audits of the departments and federal offices. These should regulate the key elements of fedpol's management and MROS's independence.

### **Increased digitalisation, refined analysis tools and improved data quality can open up further potential for efficiency**

Since 1 January 2020, the interfaces between the reporting financial intermediaries, MROS and the prosecution authorities have been digitalised thanks to the specialist application goAML. With the help of partial automation in the triage of SARs and automated queries for the main databases, the average processing time for SARs could be further reduced.

For the first time, a new triage model made it possible to work through the mountain of pending cases, which had grown considerably since 2016. With more consistent triage, MROS – together with the prosecution authorities – could focus more on the serious cases of money laundering.

MROS does not know what happens to over 50% of its reports to the prosecution authorities. However, this information would be important for MROS to better assess the effectiveness of its own work and to focus even more on these authorities. For more than 20 years, MROS has reminded the Office of the Attorney General of Switzerland, the cantonal public prosecutors and the sentencing courts of their legal obligation to provide it with this feedback *without delay* and *without being asked*. What would be more meaningful than the simple number of reports submitted is information in terms of value, e.g. How much of the CHF 15.5 billion reported annually by MROS as suspicious ended in a guilty verdict? For these and other more meaningful figures, MROS needs good analytical and statistical tools, and to fill the vacant positions in its strategic analysis team.

### **National and international cooperation is crucial for effective money laundering prevention**

The Office of the Attorney General of Switzerland describes the partnership with MROS as good. MROS's analysis reports are geared to the needs of the prosecution authorities. Cooperation with the cantonal public prosecutors is part of the strategy and is being further strengthened.

When it comes to raising awareness of money laundering among financial intermediaries, MROS must take the broadest possible approach. This concerns not only the banks, but also FIs, which currently rarely file SARs (such as fiduciaries, lawyers, notaries, commodities and precious metals traders, etc.). Through the public-private partnership planned by MROS, the participating FIs should commit to reporting more, in improved quality and, above all, in a more timely manner.

An effective partnership with FINMA is crucial for MROS. As the supervisory authority, FINMA has the most authority over FIs directly and via supervisory and self-regulatory organisations, it can verify compliance with anti-money laundering legislation locally and has the duty to report suspicions to MROS if the FI fails to do so. The cooperation agreement between the two authorities envisaged in the MROS strategy lends itself to this.

At the national level, MROS should expand the mutual exchange of SARs between authorities as part of a public-public partnership. Combatting money laundering is more effective in a network.

Cooperation with foreign FIUs is generally good. However, exchanges with the FIUs that are of greatest importance to MROS could be intensified.

**Original text in German**