FATF

Anti-money laundering and counter-terrorist financing measures

Switzerland

3rd Enhanced Follow-up Report & Technical Compliance Re-Rating

Follow-up report

January 2020

The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CTF) standard.

For more information about the FATF, please visit the website: **www.fatf-gafi.org**

This document and/or any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

This report was adopted by the FATF in January 2020.

Citing reference:

FATF (2020), *Anti-money laundering and counter-terrorist financing measures - Switzerland,* Enhanced Follow-up Report & 2nd Technical Compliance Re-Rating, FATF, Paris
http://www.fatf-gafi.org/publications/mutualevaluations/documents/fur-switzerland-2020.html

Photo Credit - Cover: © Keystone/Cyril Zingaro

SWITZERLAND: THIRD ENHANCED FOLLOW-UP REPORT

1. INTRODUCTION

The mutual evaluation report (MER) of Switzerland was adopted in October 2016. This report analyses Switzerland's progress in addressing the technical compliance deficiencies identified in its MER. Re-ratings are given where sufficient progress has been made. This report also analyses Switzerland's progress in implementing new requirements relating to FATF Recommendations which have changed since the adoption of the MER: R.2, R.5, R.7, R.8, R.15, R.18 and R.21. Overall, the expectation is that countries will have addressed most if not all technical compliance deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress Switzerland has made to improve its effectiveness. A later follow-up assessment will analyse progress on improving effectiveness which may result in re-ratings of Immediate Outcomes at that time.

2. PRIMARY CONCLUSIONS OF THE MUTUAL EVALUATION REPORT

The MER rated Switzerland as follows for technical compliance:

Table 1. Technical compliance ratings, October 2016

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	LC	LC	LC	LC	LC	C	PC	C	PC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
C	LC	LC	C	LC	PC	LC	LC	PC	LC
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
LC	PC	PC	LC	LC	LC	LC	LC	C	C
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	LC	PC	LC	PC	LC	LC	LC	LC	PC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).
Source: Switzerland Mutual Evaluation Report, October 2016, https://www.fatf-gafi.org/media/fatf/content/images/mer-switzerland-2016.pdf.

Given these results, the FATF placed Switzerland in enhanced follow-up. The following experts assessed Switzerland's request for technical compliance re-rating and prepared this report:

- Mr Jérémie Ogé – AML/CFT Advisor, Ministry of Justice, Grand Duchy of Luxembourg;
- Mr. Christophe Reineson, Attorney General Office, Expert Network – Ecofin Corruption of the College of Attorneys General, Kingdom of Belgium.

Section 3 of this report summarises Switzerland's progress made in improving technical compliance. Section 4 sets out the conclusion and a table showing which Recommendations have been re-rated.

3. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

This section summarises Switzerland's progress to improve its technical compliance by:

- Addressing the technical compliance deficiencies identified in the MER, and
- Implementing new requirements where the FATF Recommendations have changed since the onsite visit to the country (R.2, R.5, R.7, R.8, R.15, R.18 and R.21).

3.1. Progress to address technical compliance deficiencies identified in the MER

Switzerland has made progress to address the technical compliance deficiencies identified in the MER in relation to the following Recommendations:

- R.8, R.10, R.16, R.19, and R.33, which were rated PC; and
- R.2, R.5, R.15, R.18 and R.21 which were rated LC.

As a result of this progress, Switzerland has been re-rated on the following Recommendations: R.8, R.16, R.19 and R.33. The FATF welcomes the progress achieved by Switzerland in order to improve its technical compliance with R.2, R.5, R.10, R.15, R.18 and R.21. However, the progress is judged insufficient to justify an upgrade of the rating of these Recommendations. Finally, Switzerland remains largely compliant with revised Recommendation 15 and compliant with the revised Recommendation 7.

Recommendation 10 (initially rated PC)

The primary gaps identified in the MER concerned : a) the threshold for occasional transactions triggering due diligence requirements was too high; b) the general obligations to verify the identity of the client or the person designated as a beneficial owner or as beneficiaries of an assurance contract were not always required in all of the cases foreseen by R.10; c) the absence of a general obligation to ensure that customer information remains up to date and relevant; d) the absence of a general obligation to take into account the beneficiary of a life insurance contract as a relevant factor of risk; e) the deadline to provide missing documents for the verification of the identity of the client at the moment of the establishment of the business relationship; f) due diligence obligations regarding existing clients; g) the application of simplified measures in cases which did not always correspond to situations of low risk; h) the absence of an obligation for banks to refuse to establish business relations when they could not respect their due diligence rules; and i) the absence of measures describing the obligation to maintain or failure to execute due diligence measures in addition to the execution of operations in cases of suspicion.

The Swiss authorities have undertaken steps to address the gaps cited in the MER. Concerning the threshold of occasional transactions to trigger the obligation of due diligence, the OBA-FINMA has been revised, as have the regulations of the self-regulatory organisations (OAR) and the banks' code of conduct with regard to the exercise of due diligence (CDB), in

order to lower the threshold to 15 000 CHF (EUR 13 694). These measures are applicable to all relevant entities, beginning on 1 January 2020.

On 26 June 2019, the Federal Council of Switzerland adopted a draft modification of the law on anti-money laundering (AMLA). This draft law seeks to rectify the gaps identified which relate to the general obligations to verify the identity of the person designated as a beneficial owner and to update the clients' data. The Swiss Parliament has begun examining these measures during the second half of 2019. Nevertheless, these measures have not yet either been adopted nor have they entered into force and are subject to potential modifications. As such, they cannot be taken into consideration for purposes of the re-rating.

The 2016 MER found that the conditions allowing for providing identification documents with missing information did not respond to requirements to ensure rapidity. Concerning the banks and securities dealers, the CDB 20 has been modified and is applicable beginning 1 January 2020. Article 45 of the CDB 20 permits the use of an account, on an exceptional basis, if certain details and/or documents required for the verification of the identity of the client or of the beneficial owner are lacking or if certain documents have not been obtained under the desired form. The revised CDB 20 prescribes however that the application of such an exception requires an analysis based on risks, in order to determine if the exception in question is appropriate. In the context of this analysis, it is particularly important to ensure that the necessary information concerning the identity of the contracting party as well as that of the beneficial owner are available. Finally, article 45 requires that the missing information and/or documents be obtained as soon as possible, and no later than 30 days following the opening of the account. Failing that, the bank must freeze the account for all incoming and outgoing assets, and decide the next steps to take based on a risk analysis. In the case where the missing information and/or documents cannot be provided, the bank is required to end the relationship. Concerning wealth managers affiliated with the OAR-ASG, they will be subject to the rules of the OBA-FINMA, starting 1 January 2020. These rules do not provide an exception permitting the verification of the identity of the client and of the beneficial owner after the establishment of the business relationship (art. 55 al. 1 and 2 OBA-FINMA). The gaps cited in the MER on these points have therefore since been addressed.

The 2016 MER also indicated that the application of simplified measures does not always correspond to situations of low risk. Notably, the MER identified as problematic the exemption from the requirement to verify the authenticity of copies of identification documents when in the scope of a business relationship concluded directly and remotely by money service providers. The revised OBA-FINMA, entered into force on 1 January 2020, corrects this gap by requiring the money service provider to verify if the copies of identification documents contain indications that they are false or counterfeit, which would constitute a suspicion of money laundering or terrorist financing. If such is the case, the money service provider cannot make use of this simplified due diligence measure. In other words, simplified due diligence measures are not acceptable where there is a suspicion of money laundering or terrorism financing. The gaps cited in the MER on this point have therefore been addressed.

Although multiple regulatory measures have improved Switzerland's compliance with Recommendation 10, the revision of the AMLA, which contains measures to address gaps related to general due diligence requirements to verify the identity of the persons designated as beneficial owners and the updating of client information, is still in process. Accordingly, these positive developments do not permit an upgrade of the rating attributed to Recommendation 10.

The rating for Recommendation 10 is therefore maintained as Partially Compliant.

Recommendation 16 (initially rated PC)

The 2016 MER found that for financial intermediaries subject to the FINMA, there was no explicit obligation to verify information of the originator of a transfer order, as well as an absence in the regulation of the OAD-FCT of an obligation to indicate the name of the beneficiary. The report also notes that, although the criminal authorities can require the immediate production of information, the affected parties can also benefit from a certain extended timeline to execute such a request. It is also noted that there is no requirement for reasonable measures to identify isolated transfers with incomplete information on the originator and the beneficiary. Finally, one other gap is identified in relation to the fact that not all financial institution intermediaries are required to define a risk-based procedure for the case where they receive incomplete transfer orders. This requirement is not found in the regulations of a certain number of OARs.

The OBA-FINMA has been revised on multiple points and is applicable starting 1 January 2020. This reform fulfils the obligations of the financial intermediary by obliging it to assure itself that the indications related to the originator are exact and complete and that these indications are also complete for beneficiaries. The requirement also applies in the case of bulk electronic transfers. The OBA-FINMA also obliges financial institution intermediaries to guarantee the exhaustiveness of the indications received that are necessary for the orders of transfers. The modification of the OAD FCT, also applicable beginning 1 January 2020, will also correct the identified deficiency by requiring electronic cross-border transfers to contain the names of beneficiaries.

Switzerland has remedied the majority of the gaps identified in the MER. Nevertheless, certain gaps remain concerning: the powers of criminal authorities to compel immediate production of information; the fact that there is no requirement in the regulations of a certain number of OARs to define a procedure to follow, based on risks, in the cases where the financial institutions of beneficiaries receive incomplete transfer orders. On this basis, the Recommendation 16 is re-rated to be largely compliant.

Recommendation 19 (initially rated PC)

The 2016 report indicates that, in relation to Recommendation 19, there is a lack of binding measures requiring financial institutions to apply enhanced due diligence measures to their business relationships connected to countries which the FATF considers as high-risk. Moreover, it was noted that information made available to financial intermediaries does not reference all jurisdictions designated high-risk by the FATF.

Multiple provisions of the revised OBA-FINMA now contain an explicit reference to the countries that FATF considers as high-risk or as non-cooperative. This includes the country of the headquarters, of the domicile, or of the place of the activity of the contracting party or of the beneficial owner, as well as the country of origin or of destination for frequent payments. Furthermore, the revised OBA-FINMA requires that the business relationships as well as the transactions with the persons established in a country considered by the FATF as non-cooperative or high risk, and for which the FATF calls for enhanced diligence, should be considered in all cases as business relationships presenting high risks. The OARs also modified their requirements on this point and have introduced similar measures, particularly on the classification of business relationships and transactions presenting a higher risk. Furthermore, the FINMA communicates the declarations of the FATF via its internet site

related to the entirety of high risk and/or non-cooperative jurisdictions as well as the jurisdictions presenting strategic deficiencies in AML/CFT matters for which the FATF has developed an action plan. The internet site is regularly updated after each Plenary of the FATF in order to take into account the current state of the declarations of the FATF. It is also possible to subscribe to a newsletter published by FINMA which provides information on current events. Finally, certain OARs inform their members via their internet sites.

Switzerland has remedied the gaps identified in the MER 2016 related to Recommendation 19. Its rating is now re-evaluated to compliant.

Recommendation 33 (initially rated PC)

The report of 2016 found that available statistics on criminal investigations, confiscation, and international co-operation presented certain gaps and that the collection of statistics of the Swiss authorities was not systematised in a manner to permit the evaluation of the efficiency and effectiveness of the AML/CFT device.

Since then, the Office of the Attorney General of Switzerland (MPC) has developed an IT platform as well as a statistical data entry form. These tools have been made available to all the cantonal prosecution authorities and are accessible via internet. The Swiss authorities have provided statistics demonstrating that the IT platform collects completed and detailed statistics on investigations, the prosecutions and convictions, the goods frozen, seized or confiscated, as well as on the requests for mutual legal assistance, sent or received, on both the federal and cantonal levels. These statistics complement the statistics already collected on STRs received and disseminated and the other requests for international co-operation, sent or received.

Switzerland has established a system permitting the collection of statistics that are harmonised and relevant for Recommendation 33, thereby responding to the deficiencies enumerated in the MER. The rating of Recommendation 33 is therefore re-evaluated to compliant.

3.2. Progress achieved in relation to the Recommendations subject to change since the adoption of the MER

Since the adoption of the Swiss MER, the Recommendations 2, 5, 7, 8, 15, 18 and 21 have been subject to modifications. This part analyses the compliance of Switzerland with these new requirements.

Recommendation 2 (initially rated LC)

In February 2018, Recommendation 2 was revised to ensure the compatibility of AML/CFT requirements with rules on data protection and confidentiality and to promote the exchange of information by competent authorities.

Separately, a gap was identified in relation to Recommendation 2 in the 2016 MER. Switzerland did not have a national AML/CFT policy that would take into account all risks identified in the National Risk Assessment, although it did have sectoral strategies.

Concerning the new elements of Recommendation 2, Switzerland established the Interdepartmental Coordinating Group on combatting money laundering and the financing of terrorism (GCBF), which is composed of all the authorities implicated in the AML/CFT efforts. This group serves as a platform for exchanging information and for co-ordination on

all questions related to AML/CFT policy. Furthermore, co-operation and co-ordination exist between the authorities in charge of the AML/CFT and those in charge of data protection, particularly at the level of preparing AML/CFT legislation.

Although Switzerland fulfils the new requirements of R.2, no progress has been reported on the gap identified in the MER. As such, the rating on R.2 is maintained at largely compliant.

Recommendation 5 (initially rated LC)

In February 2017, a new requirement was added to R.5 to harmonise the Methodology with the Interpretative Note to Recommendation 5 and the Glossary, as revised, for the definition of "funds and other assets".

Switzerland meets the new requirements of this Recommendation through the article 260^{quinquies} of the penal code which covers the supplying or making available funds and other assets ("*valeurs patrimoniales*"). Although the requirements related to the amendments of R.5 are fully met, no progress can be reported concerning the gaps identified in the MER. A legislative reform is currently in process, but it cannot be taken into consideration for this report as it is not yet in force. The rating of Recommendation 5 is therefore maintained as largely compliant.

Recommendation 7 (initially rated as C)

In June 2017, the FATF adopted a revision on Recommendation 7 to reflect the changes made to United Nations Security Council Resolutions (UNSCRs) related to the financing of the proliferation of weapons of mass destruction since the publication of FATF Standards in February 2012.

On 4 March 2016, the Swiss Federal Council adopted the ordonnance on the automatic inclusion of the UNSCR sanctions list. This includes the sanctions founded on UNSCR 1718 (and subsequent thereto), as well as those based on UNSCR 2231. Since this date, the modifications brought to the Security Council sanctions lists are directly applicable in Switzerland.

The rating of compliant is therefore maintained for this Recommendation.

Recommendation 8 (initially evaluated as PC)

In June 2016, Recommendation 8 and its Interpretative Note were modified to clarify which non-profit organisations (NPOs) should be subject to supervision and monitoring, also clarifying that not all NPOs are entities considered to be at high risk of ML/TF.

Since then, Switzerland has undertaken measures to address the gaps identified in its report, and to comply with the new requirements of R.8. On 28 June 2017, the GCBF published a report on "Money laundering and terrorist financing via non-profit organisations". The report identifies the population of NPOs as possibly presenting an increased risk of terrorist financing and, notably, recommends to extend to associations presenting high risks in terrorism financing the obligation to register with the company registry. The draft law adopted by the Federal Council on 26 June 2019 modifying the AMLA and other laws seek to implement the recommendations of the report.

Switzerland also led an outreach campaign among the NPO sector through the publication of the report on the risks mentioned above, by outreach to charitable development agencies,

and by the consultation of the private sector in the scope of the development of the draft law adopted by the Federal Council on 26 June 2019.

Switzerland undertook measures to respond to the new requirements of the revised R.8. Nevertheless, there remains certain uncertainties regarding the supervision measures for the NPOs and certain measures to correct the deficiencies cited in the MER in relation to sanctions are still in process of adoption (which are part of a draft law not yet adopted nor in force). The fact remains that in view of the overall progress made by Switzerland, the rating of Recommendation 8 can be upgraded to largely compliant.

Recommendation 15 (initially rated as LC)

In its 4th round MER, Switzerland was rated LC with R.15, based on the following deficiencies: that there were no formal requirements for the country to assess risks related to new technologies (although it was doing so in practice); and there were no obligations for non-banking intermediaries to assess risks before using new technologies. Switzerland's technical compliance with these items remains unchanged from its 4th round MER.

In June 2019, the FATF adopted the Interpretative Note to Recommendation 15 to address obligations related to virtual assets (VA) and virtual asset service providers (VASPs). These new requirements include: requirements on identifying, assessing and understanding ML/TF risk associated with VA activities or operations of VASPs; requirements for VASPs to be licensed or registered; requirements for countries to apply adequate risk-based AML/CFT supervision (including sanctions) to VASPs and that such supervision should be conducted by a competent authority; as well as requirements to apply measures related to preventive measures and international co-operation to VASPs.

Switzerland has taken steps to comply with the new requirements of Recommendation 15. Regarding requirements related to the risk-based approach, Switzerland has conducted and published a report identifying risks and vulnerabilities associated with crypto-assets, and presented factors to mitigate risks identified, as well as recommendations for legislators to consider. Furthermore, the majority of financial intermediaries are subject to the obligation to perform a risk analysis, although some OARs do not require this.

In Switzerland, VASPs are considered as financial intermediaries and are therefore subject to the AMLA. Before commencing an activity in Switzerland, natural or legal persons acting as financial intermediaries subject to the AMLA (including VASPs) must either obtain a FINMA license or become members of an OAR recognised and supervised by FINMA, and choose to be subject to the supervision of either the FINMA or the OAR. In the 2016 MER, Switzerland was considered to be technically compliant with criterion 26.1, indicating that, in the context of Recommendation 26, Swiss OAR fulfil the FATF definition of "supervisor", because they have the necessary powers. Therefore, in line with the applicable requirements of Recommendations 26 and 27, VASPs are supervised by financial supervisors which are either the FINMA or the Swiss OAR.

VASPs are required to comply with the requirements of Recommendations 10 to 21, to the same extent as other financial intermediaries. Concerning the threshold for occasional transactions, above which the VASPs are required to carry out due diligence measures, the OBA-FINMA foresees requiring due diligence procedures from 0 CHF in the case of transmissions of funds and value and from 5 000 CHF (4 546 EUR) in the case of currency exchange, which only partially correspond to FATF requirements for VASPs. In addition, the mechanisms in Switzerland permitting the communication of designations as well as the

requirements to declare and to supervise foreseen in Recommendations 6 and 7, as well as the requirements on international co-operation (Recommendations 37-40) also apply to VASPs, subject to the limits of the deficiencies identified in the 2016 MER. The FINMA also has the power to take actions to sanction VASPs, subject to the limits set out in Recommendation 35 of the 2016 MER.

Switzerland has taken numerous steps to implement the new requirements of Recommendation 15, including implementing a risk-based approach and licencing requirements for the VASP sector. However, given their limited range, the sanctions available to the FINMA are not proportional. The existing deficiencies in terms of the threshold for occasional transactions in connection to Recommendation 10 and the difficulties noted in the 2016 MER in terms of international co-operation have repercussions in this context of transnational VAs. Switzerland is rated largely compliant with the revised Recommendation 15.

Recommendation 18 (initially rated as LC)

In November 2017, the Interpretative Note to Recommendation 18 was modified to clarify that information exchange requirements related to occasional or suspicious transactions within a financial group include the delivery of this information to branches and subsidiaries when that is required to manage ML/FT risks.

Article 6 (in relation with article 5) of the OBA-FINMA, contains an obligation for financial groups to implement group level AML/CFT programs. This provision was completed as part of the modification of 20 June 2018, entered into force on 1 January 2020. The financial intermediary should ensure that the specialised AML/CFT division, or another independent service of the financial intermediary, establishes periodic analysis of risks on a consolidated basis and that it produces a standardised report, at least once per year, with quantitative and qualitative data on branches and subsidiaries and companies of the group, in a manner to be able to establish a reliable understanding of its legal and reputation risks, on a consolidated basis.

Furthermore, the financial intermediary should ensure that the branches and subsidiaries of the group inform it in appropriate time of the establishment and pursuit of business relationships and of the most significant transactions, from a risk perspective. In other cases, on the basis of the AMLA, a financial intermediary can, in certain conditions, inform another financial intermediary who is the member of the same corporate group that it has carried out a suspicious transaction report (art. 10a). Finally, article $4^{\text{quinquies}}$ of the banking law, authorises banks, in certain conditions, to communicate to their parent companies the confidential information and documents that are necessary for consolidated supervision. This information can be transferred entirely even if they are related to a suspicious transaction report that was sent to the financial intelligence unit. Only the fact that there was a communication cannot be disclosed on the basis of this legal provision. Consequently, according to the situation, it is possible to communicate either the information appearing in a suspicious transaction report, or the fact that a suspicious transaction report was transmitted to the Swiss FIU.

Switzerland meets these new requirements. The rating of this Recommendation is therefore maintained (Largely Compliant).

Recommendation 21 (initially rated as LC)

In November 2017, Recommendation 21 was revised in order to clarify that the prohibition to disclose a suspicious transaction report or connected information does not seek to prevent the sharing of information as foreseen under Recommendation 18. The MER of 2016 indicates the existence of certain exceptions of limited scope concerning the confidentiality of suspicious transactions reports that permit a financial intermediary, under certain conditions, to inform other financial intermediaries of the fact that a suspicious transactions report has been transmitted.

As described above, the AMLA permits a financial intermediaries, under certain conditions, to inform another financial intermediary which is a member of the same group of companies that it has transmitted a report on suspicious activities. Furthermore, the article 4^{quinquies} of the law on banks authorises banks, in certain conditions, to communicate to their parent companies their non-accessible information and documents to the public which are necessary for the consolidated supervision. This information could be transferred in its entirety even if the relation was the target of a communication to the financial information unit. Only the fact that there was a communication cannot be disclosed. The prohibition to inform does therefore not prevent the sharing of information under Recommendation 18.

Although new requirements of R.21 are fulfilled, no progress has been carried out by Switzerland for other deficiencies identified in the MER. On this basis, the level of compliance of Switzerland with R.21 is maintained at LC.

3.3. Overview of progress achieved on other Recommendations rated PC

Switzerland also made progress on Recommendations 22, 23, and 40:

Recommendations 22 and 23 (rated PC): In the scope of the draft modification of the AMLA of 26 June 2019, it is foreseen to extend the scope of application of the AMLA in order to cover certain non-financial activities, notably in connection with the creation, the management or the administration of companies or of trusts. It is foreseen that these measures cover in a general manner all persons (natural or legal persons) providing such services and not specifically attorneys, notaries, accountants, fiduciaries or trust and company service providers. These persons will be submitted to due diligence obligations as well as the obligation to communicate suspicious operations. It is, furthermore, proposed to lower the threshold at which traders in precious stones and metals should apply due diligence measures. The draft law is being reviewed in the Parliament.

On 14 September 2018, the Federal Council submitted to Parliament a draft law which intends to reinforce the fight against terrorism and its financing, prepared by the Federal Department of Justice and Police. The draft extends to traders, in the sense of article 2, paragraph 1, letter b, of the AMLA, the obligation to report the suspicions of financing of terrorism. The draft law is being reviewed in the Parliament.

Recommendation 40 (rated PC): The draft law seeking to reinforce the fight against terrorism and its financing, transmitted to Parliament by the Federal Council on 14 September 2018, foresees correcting the fact that the MROS does not have the power to formulate requests in the name of a foreign partner in the absence of an STR sent to the MROS by a Swiss financial intermediary. It is therefore proposed to add a new provision to the AMLA, foreseeing that, if the analysis of the information from a foreign partner shows that Swiss financial intermediaries are taking part, or have taken part in a transaction or a

business relationship in link with the said information, the relevant financial intermediaries should supply all the relevant information to the MROS at its request, and even in the absence of a link with an STR sent to the MROS by a Swiss financial intermediary.

4. CONCLUSION

Overall, Switzerland has achieved important progress in order to correct the gaps in technical compliance identified in its MER and was re-evaluated for 11 Recommendations.

Recommendation 8 was re-evaluated to Largely Compliant, on the basis of the analysis of the risk of NPOs that was carried out by the GCBF, as well as by the role of the GCBF in continuing to update this analysis. Various legislative reforms seeking to reinforce the obligations on NPOs identified at risk have also been taken into consideration. Recommendation 16 was re-evaluated to Largely Compliant, on the basis of the new obligations contained in the OBA-FINMA requiring that the financial intermediary assures itself that, firstly, cross-border electronic transfers contain the accurate and complete information on the originator and, secondly, to guarantee the exhaustiveness of the indications received that are necessary for payment orders. Another positive element was taken in the modification of the regulations of the Swiss OAR "OAD FCT", which from now on requires its member to ensure that cross-border electronic payments contain the name of the beneficiary. Recommendation 19 has been re-evaluated to Compliant because Switzerland has taken measures to ensure that all financial institutions apply enhanced due diligence measures to business relationships presenting links with countries considered as a risk by the FATF. Recommendation 33 is also re-evaluated to Compliant since Switzerland developed an IT platform and a statistical data form permitting to collect complete statistics on both the Federal and Cantonal level on the AML/CFT system.

The rating of Recommendation 2 is maintained at Largely Compliant because of the lack of progress on the minor gap identified in the MER. The rating of Recommendation 5 is maintained as Largely Compliant, because of the minor gaps that remain in the definition of the financing of terrorism by individuals. The rating of Recommendation 7 is maintained at Compliant, due to the ordonnance adopted by the Swiss Federal Council on the automatic recognition of sanctions lists of the United Nations Security Council. The rating of Recommendation 10 is maintained at Partially Compliant, because of the various gaps related to the verification of the identity of beneficial owners and the updating of client's data. Although the new requirements of Recommendation 18 and Recommendation 21 are fulfilled, the other gaps identified in the MER remain pertinent and the rating of these Recommendations is maintained at Largely Compliant.

The rating of Recommendation 15 is maintained at Largely Compliant, in consideration of the different measures taken by Switzerland following the revisions to this Recommendation in relation to VA and VASPs, and in light of deficiencies identified in the 2016 MER which have repercussions on this Recommendation.

Therefore, considering the progress completed by Switzerland since the adoption of its MER, its technical compliance with the FATF Recommendations have been re-evaluated in the following manner:

Table 2. Technical Compliance Following Reassessment

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	LC	LC	LC	LC	LC	C	LC	C	PC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
C	LC	LC	C	LC	LC	LC	LC	C	LC
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
LC	PC	PC	LC	LC	LC	LC	LC	C	C
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	LC	C	LC	PC	LC	LC	LC	LC	PC

Switzerland will remain in enhanced follow up and will continue to inform FATF of progress achieved on improving the implementation of its AML/CFT measures.

FATF

www.fatf-gafi.org

January 2020

Anti-money laundering and counter-terrorist financing measures in Switzerland

3rd Enhanced Follow-up Report & Technical Compliance Re-Rating

As a result of Switzerland's progress in strengthening their measures to fight money laundering and terrorist financing since the assessment of the country's framework, the FATF has re-rated the country on 3 of the 40 Recommendations.

The report also looks at whether Switzerland's measures meet the requirements of FATF Recommendations that have changed since their Mutual Evaluation in 2016.

Follow-up report