



FINANCIAL INTELLIGENCE UNIT
OF THE PRINCIPALITY OF LIECHTENSTEIN

Annual Report 2014

Financial Intelligence Unit (FIU)
of the Principality of Liechtenstein

“One must have learnt a lot to ask questions
about the things one does not know.”

Jean-Jacques Rousseau

Financial Intelligence Unit (FIU)
of the Principality of Liechtenstein
Äulestrasse 51
FL-9490 Vaduz
Telephone +423 236 61 25
Fax +423 236 61 29
E-mail info.sfiu@llv.li
Website www.fiu.li

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I. Foreword

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Dear Readers,
Dear Colleagues,

For the Financial Intelligence Unit, one of the main focuses in the year 2014 was on the country assessment by the International Monetary Fund. The process was concluded with the publication of the report by MONEYVAL in July 2014. The result is satisfactory: Liechtenstein's system for combating money laundering and terrorist financing is robust, and the report made positive note of the progress achieved in recent years. But the report also shows where there is still need for action: For 11 of the FATF recommendations, Liechtenstein's performance is insufficient, sometimes due to deficiencies in the legislation, sometimes due to a lack of efficiency in the implementation of the measures. The Government has mandated the competent authorities to develop timely proposals for eliminating these deficiencies.



Visit of IMF evaluators to Vaduz Castle

The FIU responded to this mandate during the reporting year and prepared a proposal for a revision of the Financial Intelligence Unit Act. The Government circulated this proposal for consultations starting in December 2014.

The Working Group against Proliferation, Terrorist Financing, and Money Laundering (PROTEGE) appointed by the Government and headed by the Financial Intelligence Unit was entrusted to prepare the implementation of the FATF standard that has been in effect since 2012. The focus is on expanding the list of predicate offences to include serious tax crimes (direct and indirect taxes). We also began the process of compiling a National Risk Assessment. Based on this analysis, we will in future be better able to design measures to combat money laundering and terrorist financing using a risk-based approach.

In terms of content, the year 2014 – like the previous year – was marked by a steady rise in the number of cases. While the number of suspicious activity reports (SARs) submitted under the Due Diligence Act (DDA) rose only slightly, execution of the Law on the Enforcement of International Sanctions (International Sanctions Act, ISA) resulted in a substantially higher workload. Detailed information can be found in the Statistics section of this report.

By its nature, the work of the FIU has a strong international orientation. This reflects the orientation of the financial centre. Thanks to our chairmanship of one of the five permanent working groups of the Egmont Group and our vice-chairmanship of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), we are in a good position in this regard.

This year once again, the accomplishments of the FIU would not have been possible without the untiring efforts of my staff, to whom I owe a great debt of gratitude. Even though our staff level stayed the same in 2014, we were able to meet the increased demands on our work.

Daniel Thelesklaf
Director of the FIU

II. Activities of the FIU

1. Introduction

The website www.fiu.li contains information on the work of the FIU, the legal bases, forms, and the instruction on the submission of SARs, reports, and applications. The instruction serves as an interpretation aid for persons subject to due diligence and, in addition to presenting the most important legal bases, includes an illustration of practical aspects and references to the applicable standards.

2. Legal bases

2.1. Overview

The powers and responsibilities of the FIU are primarily set out in the Law on the Financial Intelligence Unit (FIU Act).¹ According to article 3 of the FIU Act, the FIU is the central administrative office for obtaining and analysing information necessary to detect money laundering, predicate offences of money laundering, organized crime, and terrorist financing. The powers and responsibilities of the FIU are specified in articles 4 and 5 of the FIU Act.

The focus of daily work is on the receipt, evaluation, and analysis of suspicious activity reports submitted in accordance with article 17(1) of the Due Diligence Act (DDA)² in cases of suspicion of money laundering, a predicate offence of money laundering, organized crime, or terrorist financing. If the suspicion is substantiated on the basis of the analysis performed, the FIU forwards the SAR together with the analysis report to the Office of the Public Prosecutor. The FIU is also authorized to obtain information itself from publicly available and non-publicly available sources.

According to the Market Abuse Act (MAA)³ the FIU is also responsible for receiving, evaluating, and analysing reports under article 6(1) MAA if there is suspicion that a transaction using financial instruments might constitute insider dealing or market manipulation (market abuse). If the suspicion of market abuse is well-founded, the FIU forwards the report to the Financial Market Authority (FMA).

Within the framework of the special ordinances on the Law on the Enforcement of International Sanctions

(International Sanctions Act, ISA),⁴ the FIU also carries out various enforcement functions such as receiving reports and enforcing asset freezes.

2.2. Submission of suspicious activity reports

According to article 17(1) DDA, persons subject to due diligence must immediately report in writing to the FIU where suspicion of money laundering, a predicate offence of money laundering, organized crime, or terrorist financing exists. Likewise, all offices of the National Administration and the FMA are subject to the obligation to report to the FIU.

Right of the FIU to receive information

According to article 5 of the FIU Act, the FIU obtains information necessary to detect money laundering, predicate offences of money laundering, organized crime, and terrorist financing. Due diligence legislation further specifies these powers vis-à-vis persons subject to due diligence: Article 26(2) of the Due Diligence Ordinance sets out that the FIU may demand further information. All additional information may be demanded in this regard concerning persons or fact patterns connected with the SAR submitted; in particular also when the suspicion of the person subject to due diligence does not refer to those persons. During the reporting year, this provision was further specified by the Government to mean that the right to receive information also may be directed at persons subject to due diligence who have not themselves submitted a SAR.

Professional secrecy in any form does not defeat the right of the FIU to receive information, since the reporting obligations are special obligations that take precedence over professional secrecy. The exclusion of criminal and civil liability under article 19 DDA refers in this regard to all information transmitted in the context of the SAR, irrespective of whether the information was originally transmitted to the FIU or at the FIU's request.

Forwarding of SARs to the Office of the Public Prosecutor

According to article 5(1)(b) of the FIU Act, the FIU forwards SARs submitted pursuant to article 17(1) DDA to the Office of the Public Prosecutor if the analysis conducted by the FIU substantiates the suspicion of money laundering, predicate offences of money laundering, organized crime, or terrorist financing. This measure was taken in 56% (previous year: 62%) of the SARs submitted under the DDA.

Forwarding of a SAR to the Office of the Public Prosecutor is only one of the measures available in a particular case. Apart from that, the FIU may also further analyse the fact pattern and make additional clarifications. The SAR need not necessarily be forwarded before the end of the 5-day period under article 18(2) DDA, but may also be forwarded at a later time. The person subject to due

¹ Law of 14 March 2002 on the Financial Intelligence Unit (FIU Act; LR 952.2).

² Law of 26 November 2004 on Due Diligence in Financial Transactions and Law of 11 December 2008 on Professional Due Diligence to Combat Money Laundering, Organized Crime, and Terrorist Financing (Due Diligence Act; DDA; LR 952.1).

³ Law of 24 November 2006 against Market Abuse in the Trading of Financial Instruments (Market Abuse Act; MAA; LR 954.3).

⁴ Law of 10 December 2008 on the Enforcement of International Sanctions (International Sanctions Act, ISA; LR 946.21).

diligence submitting the SAR is informed when the SAR is forwarded. Otherwise, no information is provided.

If the SAR is not forwarded, this does not mean that the suspicion no longer exists or that it has been eliminated. But if the Court of Justice does not impose a measure before the end of the 5-day period set out in article 18(2) DDA, the person subject to due diligence is generally no longer prohibited from taking actions that might obstruct or interfere with orders under § 97a of the Code of Criminal Procedure – provided the person subject to due diligence transmits all relevant information on the business relationship to the FIU.

2.3. Enforcement of international sanctions

Pursuant to article 1(1) in conjunction with article 2 of the International Sanctions Act (ISA), the Government may enact coercive measures in the form of ordinances to enforce international sanctions adopted by the United Nations or an important trading partner of the Principality of Liechtenstein.

In these ordinances, the Government regularly designates the FIU as the enforcement authority for the coercive measures. The FIU receives reports on frozen assets and economic resources and reviews applications for exemptions before forwarding them to the Government for a decision. The Government grants approval if the money transfer does not violate the applicable sanctions ordinance or the goods control or war material legislation.

The number of reports and applications rose substantially during the reporting year. This is a consequence of the increase in international sanctions, especially in the wake of the situation in Ukraine. In this connection, assets in the amount of approx. CHF 25 million were frozen during the reporting year.

3. Questions of practice

3.1. Timing of report

According to the wording of the law, the SAR pursuant to article 17(1) DDA must be made immediately. This means that the FIU must be informed immediately as soon as a suspicion arises. As a rule, the suspicion results from the clarifications carried out pursuant to article 9 DDA. If the doubts (generally resulting from the indicators set out in Annex 1 of the Due Diligence Ordinance, DDO) cannot be eliminated in the course of these clarifications, a SAR must be submitted to the FIU immediately.

Once again during the reporting year, there were several cases in which the SAR was submitted too late. Often, the report was made only after the client in question had been arrested or after a request for mutual legal assistance had been received, even though there had already been

indicators of money laundering at an earlier time. In these cases, the indicators were either not recognized or not clarified, or the duration of the clarifications took disproportionately long (in some cases more than a year).

The early recognition of possible money laundering is a measure to protect the financial centre from abuse by criminals. For that reason, timely reaction to possible indicators is of the utmost importance. In future, the FIU will pay greater attention to the enforcement of these norms, in order to combat abuse even more effectively.

3.2. The client as a victim of an offence

During the reporting period, the question repeatedly arose whether persons subject to due diligence are subject to a reporting obligation if their own client appears to be a victim of a criminal scheme. In practice, the case arises relatively frequently that illegitimate transactions are carried out at the expense of the client that are made possible with the help of “hacked” e-mail accounts.

According to the wording of article 17(1) DDA, the FIU must be informed of any suspicion arising in connection with predicate offences. The ratio legis for this provision is the timely detection of possible incriminating assets, however. In cases where clients themselves have clearly become the victims of an offence and no incrimination of the assets involved in the business relationship occurred, the FIU recommends that a criminal complaint be filed with the Office of the Public Prosecutor or the National Police. Other examples in which a criminal complaint should be preferred to a SAR include the receipt of forged cheques (e.g., a lawyer receives a check from a counterparty to pay off debt, but the check turns out to have been forged), the receipt of counterfeit money (e.g., a client delivers daily business receipts to the bank in the evening, but some of the money turns out to be counterfeit), or the receipt of forged payment orders at the expense of the client. In such cases, a copy of the criminal complaint may be sent to the FIU.

If, in the course of clarifications, a person subject to due diligence concludes that in a particular case, a SAR submitted to the FIU should be preferred to a criminal complaint filed with the Office of the Public Prosecutor or the National Police, the FIU of course will accept the report and deal with it accordingly. Consequently, however, the FIU must in such cases also be furnished with all the usual information to be submitted in accordance with the report form concerning the account holder, beneficial ownership, signing authority, asset statements, and so on.

3.3. Reports subsequent to requests for mutual legal assistance and domestic proceedings

The FIU would like to point out that SARs submitted subsequent to rulings of surrender or seizure received by

the Liechtenstein Court of Justice must in particular also include the court ruling in question. The SAR submitted to the FIU must accordingly only contain information pursuant to reasons for submission that can be derived from the court's findings, and not what has already been disclosed as part of the surrender to the Court of Justice. In particular, other accounts not covered by the ruling must be reported if they can be attributed to the same persons affected by the ruling.

3.4. Transactions in light of article 18(2) DDA

According to article 18(2) DDA, the person subject to due diligence must, until a decree from the responsible law enforcement authority arrives, but at most until the conclusion of five business days from receipt by the FIU of the SAR pursuant to article 17(1) DDA, refrain from all actions that might obstruct or interfere with any orders pursuant to § 97a of the Code of Criminal Procedure (StPO), unless such actions have been approved in writing by the FIU. Article 18(2) DDA does not set out an absolute ban on transactions, but it aims to ensure that during the aforementioned period, no assets can be withdrawn that might be subject to confiscation or forfeiture. Market transactions involving the purchase or sale of a security may thus continue to be executed if they do not entail an outflow of assets. The measure set out in article 18(2) would, for instance, cover cash withdrawals or payments that would result in a reduction of assets. In individual cases, such transactions may be approved by the FIU. It is in fact desirable that ongoing asset management orders (without loss of assets) be carried out on a continuing basis, so that the contracting party does not deduce that a SAR has been submitted.

4. International cooperation

4.1. Forms of cooperation

The FIU can work together with other FIUs by, for instance, requesting them to provide information or transmit documents necessary for the analysis of a case. It grants requests to this effect from abroad if the conditions set out in article 7(2) of the FIU Act are met. Exchange of information is governed by national legislation and is based on the Principles of Information Exchange of the Egmont Group of Financial Intelligence Units.

International cooperation is not limited to case-specific exchange of information, however, but rather also encompasses general exchange of experiences as well as participation in international working groups and organizations, such as expert work for the International Monetary Fund, the World Bank, the OSCE, the United Nations, and the Council of Europe. During the reporting year, for instance, the FIU was represented at the 3rd Arab Asset Recovery Forum in Geneva, which was initiated by the G8. The FIU was also appointed by the Government as the national

asset recovery focal point for the United Nations Office for Drugs and Crime (UNODC).

4.2. Egmont Group

The FIU has been a member of the Egmont Group of Financial Intelligence Units for 14 years. This group is the worldwide gathering of national financial intelligence units, currently with a membership of about 150. It governs and promotes mutual exchange of information at the international level and plays an important role in combating money laundering and terrorist financing. The FIU takes a lead role in some of the projects of the Egmont Group. The Director of the FIU chairs one of the five permanent working groups (Training Working Group, TWG) and accordingly has a seat on the executive committee of the Egmont Group.



Workshop of the Training Working Group on "The FIU's role in anti-corruption and asset recovery" under the chairmanship of the FIU Liechtenstein in Lima, Peru

In practice, information exchange within the framework of membership of the Egmont Group occurs via secure and encrypted data exchange channels. Provided that requests from abroad meet the minimum requirements set out in the Egmont Group Principles for Information Exchange (link with the country receiving the request, sufficient grounds for suspicion, complete description of the case) as well as the conditions set out in article 7(2) of the FIU Act, the FIU may exchange available information with foreign partner authorities. If the requests are "fishing expeditions" that do not meet the minimum requirements referred to above, the FIU does not transmit information. The exchanged information may be used for intelligence purposes only. The information may be forwarded to law enforcement authorities only with the express consent of the FIU. If the information should turn out to be useful and necessary evidence for the investigating law enforcement authorities in the context of initiated criminal proceedings, those law enforcement authorities must request disclosure of the information by way of a regular request for mutual legal assistance. This ensures that mutual legal assistance in criminal matters is never circumvented, and the applicable procedural rights are safeguarded at all times.



Signing of the MoU with Singapore

At the bilateral level, the focus of the FIU has been on cooperation in particular cases. To further consolidate this cooperation, 21 memoranda of understanding (MoUs) have been concluded in the past years. MoUs within the framework of the Egmont Group are cooperation agreements based on the Egmont Group model MoU. These cooperation agreements between two authorities provide detailed provisions on specific issues and processes relevant to practice in connection with the international exchange of information. In 2014 MoUs were concluded with the FIUs of Armenia, Serbia, Slovenia, Singapore, and the Holy See.

4.3. Financial Action Task Force

The Financial Action Task Force (FATF) is an international working group under the aegis of the OECD with the mandate to analyse methods of money laundering and terrorist financing, to develop a worldwide standard to combat them, and to regularly monitor its member states with regard to implementation of these standards. Membership of the FATF encompasses 34 states (the OECD members and the largest financial centres), two international organizations (the European Commission and the Gulf Cooperation Council), and the FATF-Style Regional Bodies such as MONEYVAL. Thanks to Liechtenstein's membership in MONEYVAL, we are indirectly also represented in the FATF. The FATF has a procedure for identifying states that have not implemented the worldwide standard or have done so only insufficiently. This procedure leads to a cascade of lists with which countries are persuaded to bring about an improvement of the situation in dialogue with the FATF. If this approach is unsuccessful, the FATF calls upon the member states (and all other states) to take countermeasures. Currently, there are calls for countermeasures against Iran and North Korea. The FATF has also identified considerable strategic deficiencies in compliance with the FATF standard in re-

gard to Algeria, Myanmar, and Ecuador. Within the FATF, the FIU regularly takes part in meetings of the RTMG (Risks, Trends and Methods Group) and ECG (Evaluation Compliance Group). The latter working group is responsible for verifying country reports and interpreting the FATF standard.

4.4. MONEYVAL

MONEYVAL is a committee of experts of the Council of Europe founded in 1997 to support the member states in their fight against money laundering and terrorist financing. MONEYVAL conducts a process of peer reviews. The goal of this process is to ensure that the member states' systems to combat money laundering and terrorist financing are effective and that they comply with the relevant international standards in this field (FATF, Council of Europe, and EU). The Director of the FIU heads Liechtenstein's MONEYVAL delegation and also serves as the vice-chairman of MONEYVAL. Liechtenstein is thus represented in the 5-person Bureau (executive organ) of MONEYVAL.

The fourth round of MONEYVAL's country assessment of Liechtenstein under the 2003 FATF standard began in June 2013 with a two-week visit by the team of evaluators from the International Monetary Fund (IMF) and MONEYVAL, who conducted meetings with all relevant authorities and a large number of participants in the private sector. After that, four intensive negotiation rounds took place with the IMF in succession until the end of 2013. The final report was then discussed for one and a half days at the spring plenary meeting in 2014 and ultimately adopted. The report recognizes the progress Liechtenstein has made in combating money laundering, but it also indicates weaknesses and necessary improvements. The internal, inter-authority Working Group against Proliferation, Terrorist Financing, and Money Laundering (PROTEGE) chaired by the FIU subsequently developed a plan of measures. Part of this implementation strategy consists of the new FIU Act.

4.5. EU/EEA

The FIU represents Liechtenstein in the Expert Group of Money Laundering and Terrorist Financing of the EU as well as in the FIU Platform. In that body, the FIU-relevant preparatory work for the Fourth EU Money Laundering Directive is discussed. In this connection, adjustments of the legal bases in Liechtenstein must be made by mid-2017 at the latest, especially in regard to the Due Diligence Act.

A draft of the new EU directive was published in February 2013. At the end of December 2014, the European Council, the European Parliament, and the EU member states agreed on the content for a new directive to combat money laundering and terrorist financing. This directive implements the 2012 FATF standard within the EU. Via the EEA,

the directive is also applicable to Liechtenstein. With regard to the FIU, the new directive specifies the following:

The FIU must be able to work independently and autonomously (article 32(3) of the directive). It must be able to obtain additional information from persons subject to due diligence (article 32(3), fourth sentence). For that purpose, the FIU must be provided with adequate financial, human and technical resources (article 32(3), last sentence).

The FIU must have timely access to the financial, administrative, and law enforcement information that it requires to fulfil its tasks properly (article 32(4)), and it must be empowered to take urgent action, where there is a suspicion that a transaction is related to money laundering or terrorist financing, to suspend or withhold consent to a transaction that is proceeding (article 32(7)).

As before, persons subject to due diligence are required to file SARs with the FIU immediately and to provide the FIU, at its request, with all necessary information (article 33(1)). Exceptions apply only to lawyers. All suspicious transactions, including attempted transactions, must be reported (article 33(1)), and the SARs are transmitted by the compliance officer (article 33(2)).

Suspicious transactions may be carried out only after a report has been submitted and the instructions of the FIU or other competent authorities have been complied with (article 35(1)). The ban on providing information applies both to SARs and to transmission of information at the instruction of the FIU (article 39(1)). The processing of personal data is considered to be a matter of public interest (article 43).

The exchange of information between the FIU and persons subject to due diligence must occur through secure communication channels (article 42). Individuals, especially compliance officers, must be protected from being exposed to threats or hostile action, and in particular from adverse or discriminatory employment actions (article 38).

The FIUs must be able to exchange any information that may be relevant to combat money laundering or terrorist financing, even if the predicate offence has not yet been identified at that time (article 53(1)). When responding to the requests of other FIUs, the FIU must be able to use the whole range of its available powers which it would normally use domestically (article 53(2)). This applies in particular to additional information that must be obtained from persons subject to due diligence. But this is limited by the scope of application of the directive.

Differences between national law definitions of tax crimes must not impede the ability of FIUs to exchange information.

In the case of serious, repeated, or systematic breaches of the reporting obligation, the range of penalties available to the adjudicating body must at least encompass the following:

- publication of penalties imposed, with disclosure of the persons affected
- withdrawal or suspension of licence
- maximum fines of at least EUR 1 million (and EUR 5 million (or 10% of turnover) for banks and other financial institutions).

5. Typologies

The following case studies from the practice of the FIU are intended primarily to illustrate the interpretation of due diligence and reporting obligations and to give persons subject to due diligence additional indications of possible suspicious facts. To prevent inferences from being drawn regarding the involved persons, the cases have been anonymized and changed slightly. The fact patterns exhibit several indicators of money laundering, predicate offences of money laundering, organized crime, and terrorist financing as contained in the Annex of the Due Diligence Ordinance.

5.1. *Suspicious facts at the initiation of a business relationship*

A Liechtenstein bank was confronted with a new business idea by an existing client. The client was accompanied by a third party and explained that he would like to open additional accounts for new companies, whereupon another person from the Middle East was to pay in approximately EUR 10 billion with an intended use for “various projects”. During these meetings, the client gave the bank a passport copy of the potential investor, but failed to provide a clear explanation of the origin of the funds or the precise intended use. The purpose of the companies to be established – “trade, purchase, corporate and financial services” – also did not manage to persuade the bank’s client advisor of the business model.

The bank decided against taking up the business relationship and submitted a SAR to the FIU. The suspicious facts cited by the bank were the amount of the assets to be deposited, the unclear origin and use of the assets, indications in public sources of criminal dealings, and the disproportion between the amount of the transactions of the existing client and the transactions intended as part of the new business.

Subsequent clarifications by the FIU focused not only on the client newly introduced to the bank but also on all persons linked to the SAR. It was then discovered that one of the persons was being sought internationally.

5.2. *Repeated change of strategy*

A Liechtenstein bank submitted a SAR to the FIU after an account that had existed at the bank for several years, more or less without being used, suddenly became very active again. The account was originally opened for depositing income of the client purportedly received through an employment relationship with a Swiss bank.

Based on a client e-mail, the client advisor noticed after several years that the client now apparently needed the account as a collective account for client assets, given that the client was now pursuing self-employed work according to information he provided. The bank informed

the client of the legal situation in Liechtenstein regarding pooling of assets and demanded new information in order to adjust the business profile. Shortly after this, a large amount was deposited on the account, which according to the client represented a loan repayment. When the bank refused to pay it out in cash with reference to the guidelines of the Liechtenstein Bankers Association, the client wanted to transfer that amount again immediately after it was received.

The analysis by the FIU then showed that criminal proceedings were apparently pending in another country against the bank client on suspicion of embezzlement to the detriment of the client’s former employer and that the client’s residence permit in that country had expired long before. The FIU then forwarded the case to the Liechtenstein Office of the Public Prosecutor.

5.3. *Unexplained premium payment*

At the beginning of the year, a Liechtenstein insurance company had waived premiums for an insurance policy due to delinquent premium payments. Two months later, a payment of about EUR 5,000 was made for that policy. The payment originated with a foundation which, in the view of the insurance company, was not obviously linked to the policyholder who had until then paid the premiums on the policy. The insurance company then carried out special clarifications, which were however inconclusive. Research by the insurance company to gain information about the foundation and its links with the policyholder were fruitless because neither the intermediary nor the policyholder could be questioned in this regard, even though they were contacted repeatedly by telephone, mail, and e-mail. While several meetings took place, they were unsatisfactory due to lack of competence, delay tactics, or lack of language skills. The insurance company then submitted a SAR because the suspicions could not be eliminated. The FIU was subsequently able to determine that the policyholder had meanwhile been arrested for financial offences in another European country.

5.4. *Small cog in the big machine*

A Liechtenstein professional trustee submitted a SAR after having the suspicion that one of his clients could be linked to possible VAT fraud. For this client, the professional trustee maintained a company that had accounts at various Liechtenstein banks. On one of these accounts, extensive trading took place with goods throughout all of Europe, but the bank was not informed of the background of these activities. According to the information made available to the bank, the bank could assume that the company itself was involved in trading and not – as it later turned out – that it served as a platform for transactions between third parties. In fact, various companies bought and sold goods in Europe via the company administered by the professional trustee. Shortly after the professional trustee, the involved banks likewise submitted

SARs. Clarifications by the FIU in cooperation with other authorities showed that the financial construction could be used to launder money in Liechtenstein that originated in VAT fraud. The alleged acts of VAT fraud took place by exploiting the free movement of goods among member states of the European Union at the expense of their tax authorities. The financial construction in Liechtenstein apparently served to further conceal the origin of the assets. This example shows that specific technical knowledge about criminal schemes can improve compliance with due diligence obligations.

5.5. Nigeria e-mails, advance payment fraud, and hacking attacks

Last year, the FIU repeatedly discovered that widespread patterns of fraud continue to be very popular among scammers. Once again during the reporting year, numerous potential victims of fraud were addressees of "Nigeria e-mails". In this scam, individuals in Liechtenstein are addressed in a targeted manner using e-mail or letters and informed of a supposedly pleasant surprise: The sender informs the addressees that, after a long search, they have been identified as the last indirect descendants of a person who had died just recently or some time ago. The supposed inheritance in a fantastic sum is just waiting – or so it would appear – to be paid out to that descendent. The letters are often characterized by poor language skills (generally English, but German is also used), although it has been observed that this identifying feature is becoming increasingly less prominent. After the potential victim of fraud responds, an attempt is generally made to induce that person to transfer an amount of several thousand francs supposedly necessary to settle administrative costs before the inheritance can be transferred. The FIU urgently recommends that recipients ignore such letters so that they don't become victims of fraud.

Fraudulent triggering of bank transactions by using forged payment orders has also increased. These cases target clients who have arranged for their bank to make payments on the basis of client e-mails. In these cases, hackers target the e-mail account of the victim and spy on it in order to send the bank a payment order that looks as authentic as possible and resembles the usual transaction pattern of the client. Often, a copied signature of the victim is used that could be found in e-mail correspondence.

III. Statistics

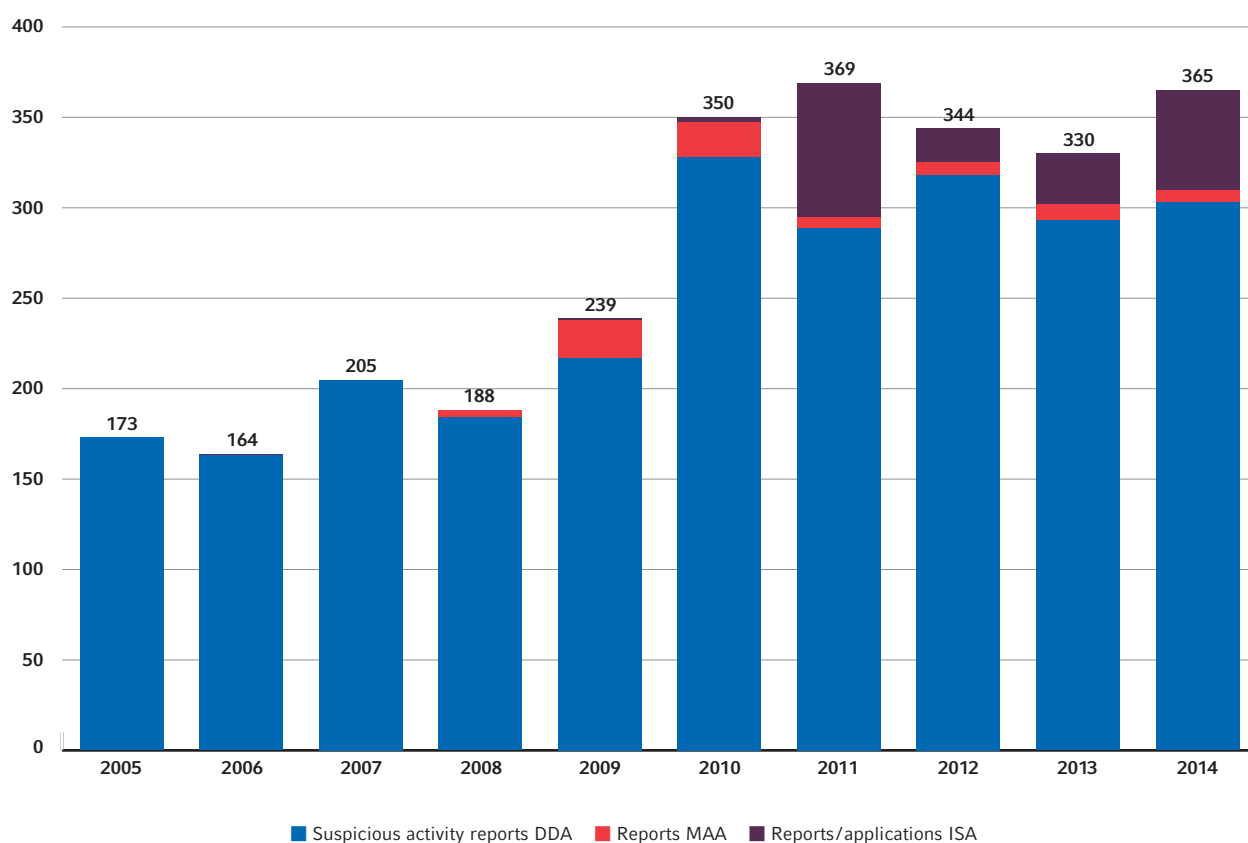
12 | 1. Overall view

During the reporting year, a total of 365 SARs under the DDA, reports under the MAA, and reports and applications under the ISA were submitted to the FIU. This number is approximately 10% higher than in the previous year. While SARs under the DDA increased only slightly over the previous year (+10 SARs), the number of reports and applications under the ISA and MAA more

than doubled. This is due to the sanction measures as a consequence of the situation in Ukraine.

In 2014, the FIU received a total of 303 SARs under the DDA. This increase is within the range of fluctuations in recent years, but it is still significantly higher than the 10-year average of about 247 SARs.

All SARs, reports, and applications for approval



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
■ Suspicious activity reports DDA	173	163	205	184	217	328	289	318	293	303
■ Reports MAA	0	0	0	4	21	19	6	7	9	7
■ Reports/applications ISA	0	1	0	0	1	3	74	19	28	55

2. Suspicious activity reports under the DDA

This heading covers the SARs submitted to the FIU by persons subject to due diligence pursuant to article 17 DDA in the case of suspicion of money laundering, a predicate offence of money laundering, organized crime, or terrorist financing.

2.1. Evaluation by sector

The SARs pursuant to the DDA received by the FIU in the years 2011 to 2014 came from the following sectors:

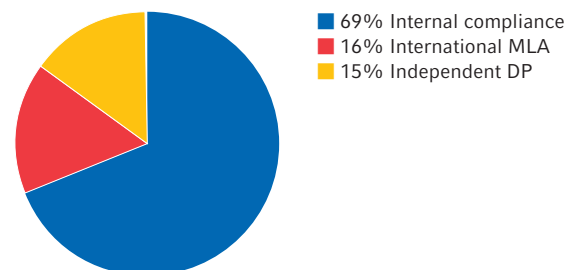
Sector/reporting year	2011	2012	2013	2014
Banks	126	199	185	192
Professional trustees	67	76	51	63
Insurers/ insurance intermediaries	37	29	16	21
Public authorities	21	3	10	7
Payment service providers (PSPs)	0	0	21	7
Lawyers	5	2	7	6
Asset management companies	1	3	1	4
Precious metal dealers	0	0	0	1
Dealers in high-value goods/auctioneers	1	1	1	1
Auditors/audit companies	31	5	0	1
investment undertakings	0	0	1	0
Total:	289	318	293	303

2.2. Reason for submitting a suspicious activity report

The SARs are classified according to whether they

- were submitted pursuant to own clarifications of unusual or conspicuous transactions (Internal compliance),
- were submitted on the basis of knowledge gained by the person subject to due diligence pursuant to international requests for mutual legal assistance (MLA), or
- originated in independent domestic proceedings (DP).

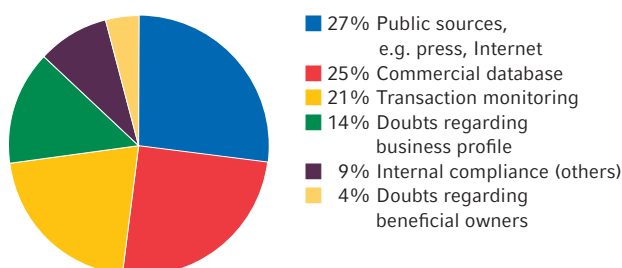
Reasons for submission



As mentioned in the previous annual report, a differentiated evaluation system was used in 2014. "Internal compliance" as a reason for submission was broken down into different categories (see figure below).

Nearly half of the SARs received under "Internal compliance" were triggered by external factors (e.g., public sources – Press/Internet – or commercial databases such as Lexis Nexis and World Check). On the one hand, it should be considered positive that the persons subject to due diligence are increasingly using commercial databases to identify suspicious cases. However, this method does not absolve persons subject to due diligence from the duty to monitor the business relationship on an ongoing basis in accordance with article 9 DDA. In many cases, it has been seen that even before a person is included in a commercial database, there were already indicators of money laundering that were not recognized or not clarified in a plausible way. In the case of only one third of the SARs (101 out of 303), the SAR was triggered by monitoring of the transactions or comparable factors; in the case of two thirds, external factors triggered the SAR (request for mutual legal assistance, domestic investigations, media reports). In future, significantly more importance must be attached to monitoring of the business relationship. Only in that way can money laundering be combated in a preventive way.

Breakdown of "Internal compliance"



2.3. Statistics according to offence

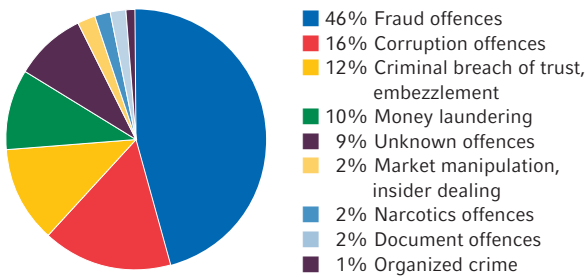
These statistics provide information on the predicate offences (types, number, and places of commission) and on the origin of the contracting parties of the persons subject to due diligence and of the beneficial owners of the assets.

Predicate offences

A predicate offence is the offence from which the assets originate or might originate or through which the assets have been generated. For the statistics, the predicate offences are relevant that are ascertained by the FIU's analysis of the SARs pursuant to the DDA, even where these results are only preliminary. This assessment may change over the course of any criminal proceedings that might be conducted.

Among the predicate offences, fraud offences have been at the top of the list for years. This year, the significant rise in corruption offences from 7% in the previous year to 16% in the reporting year is striking.

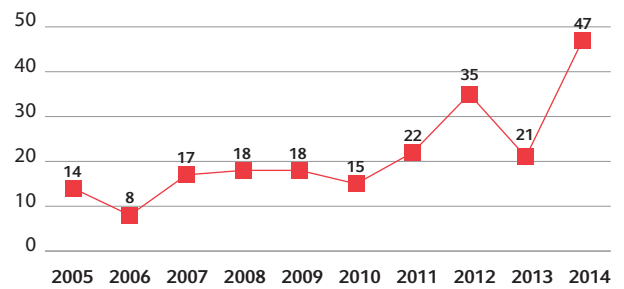
Predicate offences



Corruption offences

After a decline in the previous year, corruption offences jumped from 21 to 47. This increasing significance of corruption-money laundering is currently being analysed in more detail by the FIU.

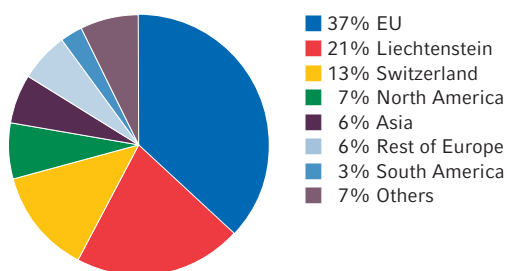
Corruption offences



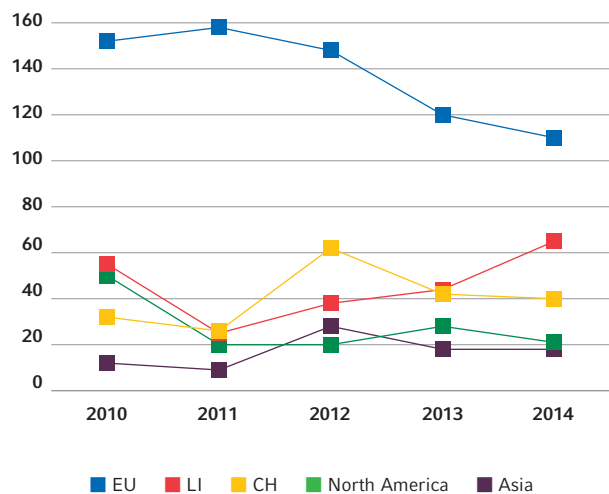
Nationality/domicile of the contracting party

These statistics provide information on the origin (for natural persons) or domicile (for legal persons) of the contracting parties of the persons subject to due diligence indicated in the SARs.

Nationalities/domiciles of contracting parties by region



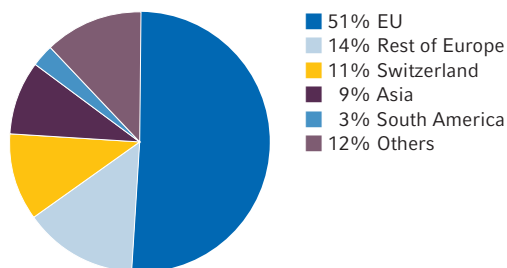
Nationalities/domiciles of contracting parties by region



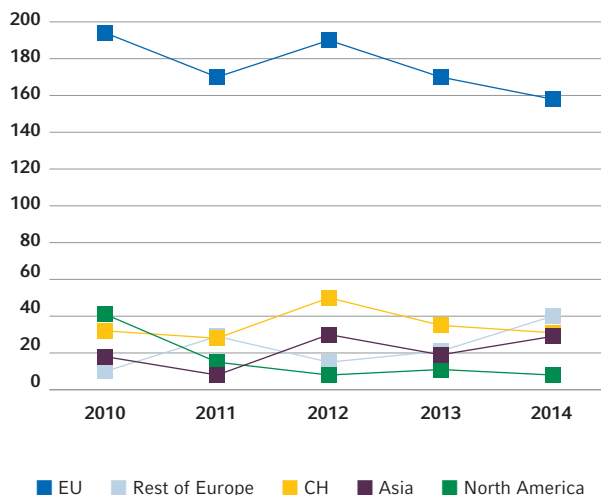
Nationality of the beneficial owners

These statistics provide information on the origin of the beneficial owners indicated in the SARs.

Nationalities of the beneficial owners by region



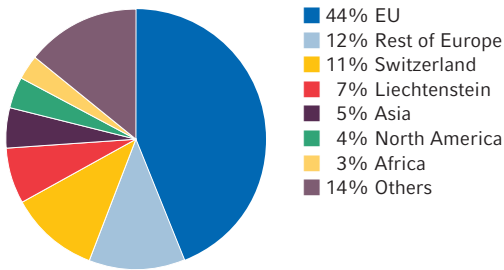
Nationalities of beneficial owners by region



Place of predicate offence

The following diagrams show in which regions the offences underlying the SARs were likely committed. The statistics rely on the FIU's preliminary analysis.

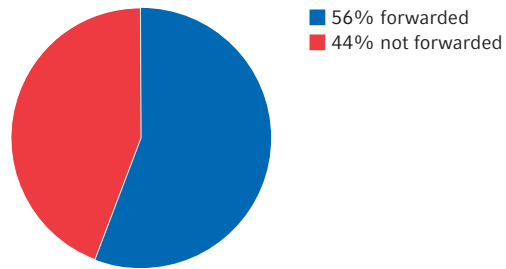
Regions in which predicate offences were committed



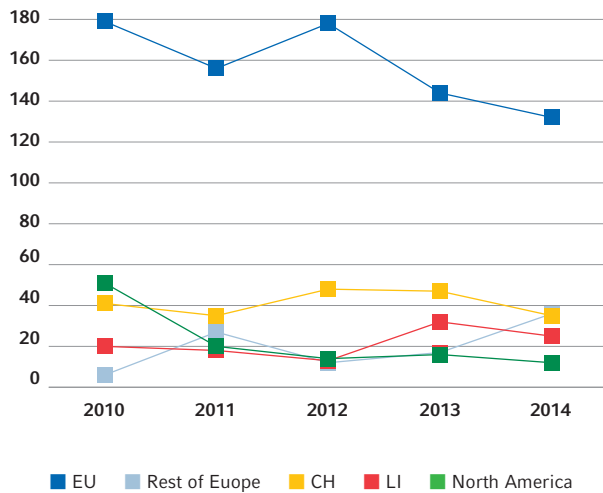
2.4. Forwarding of suspicious activity reports to the Office of the Public Prosecutor

If analysis leads to substantiation of a suspicion of money laundering, a predicate offence of money laundering, organized crime, or terrorist financing, the FIU forwards the SAR to the Office of the Public Prosecutor pursuant to article 5(1)(b) of the FIU Act.⁵

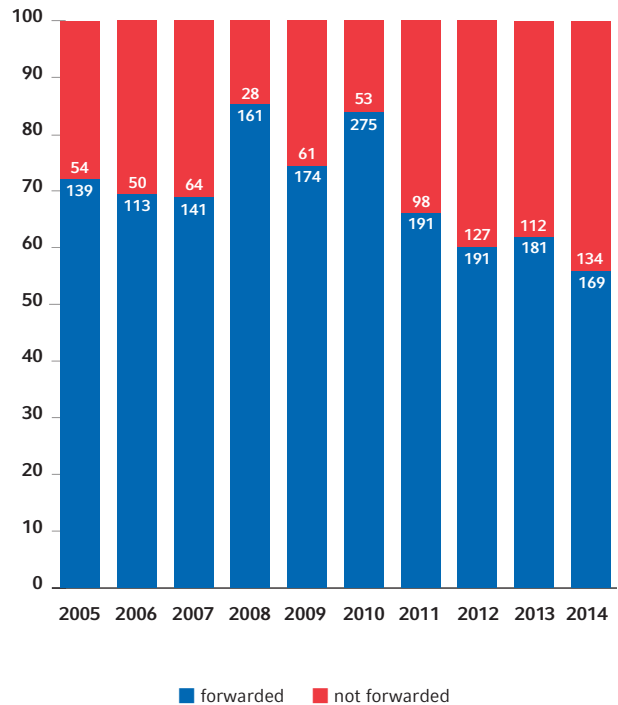
SARs forwarded to the Office of the Public Prosecutor



Regions in which predicate offences were committed



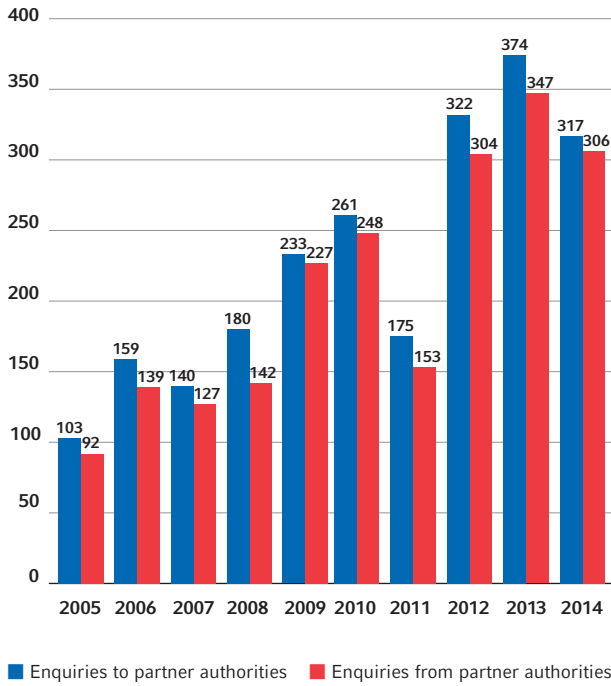
SARs forwarded to the Office of the Public Prosecutor



The decline in the ratio of forwarded SARs demonstrates the strengthening of the FIU's filtering function in recent years. Because the FIU's rights to receive information are still incomplete, however, this important filtering function is still insufficient and the forwarding ratio continues to be high.

⁵ Law of 14 March 2002 on the Financial Intelligence Unit (FIU Act; LR 952.2).

Enquiries to and from foreign partner authorities

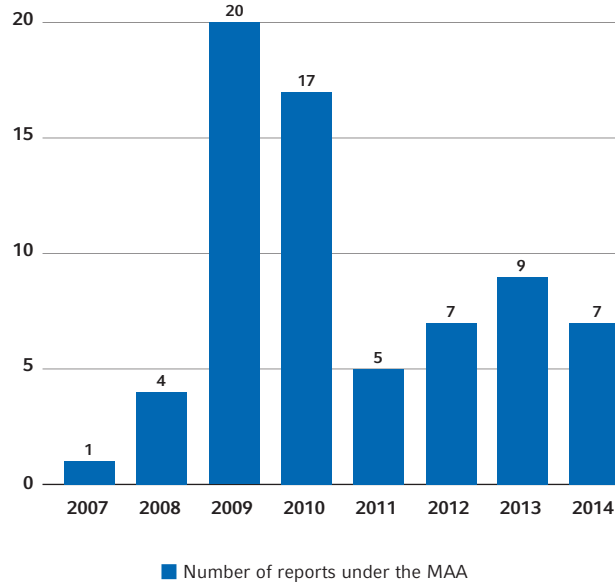


After an increase in enquiries from and to other FIUs in previous years, a slight decline can be observed in the reporting year. The figures demonstrate the international orientation of the Liechtenstein financial centre. Nearly all SARs concern at least one person residing outside Liechtenstein.

3. Reports under the Market Abuse Act (MAA)

This heading covers the reports transmitted to the FIU pursuant to article 6 MAA, if there is a suspicion that a transaction with financial instruments might constitute market abuse. Persons with their registered office or a branch in Liechtenstein that carry out transactions with financial instruments on a professional basis are required to submit a report.

Number of reports under the MAA

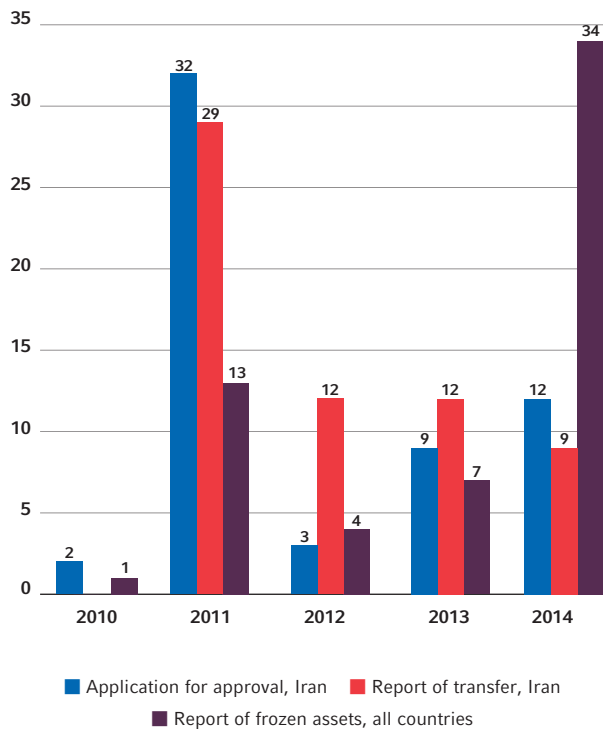


The 7 reports submitted during the reporting year were lower than last year's reporting volume. All reports were submitted by banks.

4. Approvals and reports under the International Sanctions Act (ISA)

This heading covers all reports and applications for approval transmitted to the FIU pursuant to an ordinance on coercive measures. Persons with their residence, registered office, or a branch in Liechtenstein are required to report. During the reporting year, 55 reports and applications for approval were received pursuant to the ordinances on enforcement of international sanctions in Liechtenstein.

Reports and applications under the ISA



While the reports of transfer in regard to the Islamic Republic of Iran remained constant, there was a strong increase in the number of reports and applications for approval during the reporting year as a consequence of the situation in Ukraine and the associated sanction measures.

IV. Abbreviations

DDA	<i>Liechtenstein Law of 11 December 2008 on Professional Due Diligence to Combat Money Laundering, Organized Crime, and Terrorist Financing (Due Diligence Act)</i>
DP	<i>Domestic proceedings</i>
EEA	<i>European Economic Area; Liechtenstein became a full member of the EEA on 1 May 1995</i>
EU	<i>European Union</i>
FATF	<i>The Financial Action Task Force is an expert group established by the G7 and the European Commission in 1989 with the mandate to analyse methods of money laundering and to develop measures to combat it. It currently consists of 36 members, including 34 states and two international organizations (the European Commission and the Gulf Cooperation Council).</i>
FIU	<i>Financial Intelligence Unit (of the Principality of Liechtenstein)</i>
FIU Act	<i>Liechtenstein Law of 14 March 2002 on the Financial Intelligence Unit</i>
FMA	<i>Financial Market Authority Liechtenstein</i>
IMF	<i>International Monetary Fund</i>
ISA	<i>Liechtenstein Law of 10 December 2008 on the Enforcement of International Sanctions (International Sanctions Act)</i>
MAA	<i>Liechtenstein Law of 24 November 2006 against Market Abuse in the Trading of Financial Instruments (Market Abuse Act)</i>
MLA	<i>Mutual legal assistance</i>
MONEYVAL	<i>Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism</i>
OECD	<i>Organisation for Economic Co-operation and Development</i>
StPO	<i>Liechtenstein Code of Criminal Procedure of 18 October 1988</i>
UNODC	<i>United Nations Office on Drugs and Crime</i>

