



FINANCIAL INTELLIGENCE UNIT
OF THE PRINCIPALITY OF LIECHTENSTEIN

Annual Report 2015

Financial Intelligence Unit (FIU)
of the Principality of Liechtenstein

“I cannot imagine any condition which would cause a ship to founder.
I cannot conceive of any vital disaster happening to this vessel.
Modern shipbuilding has gone beyond that.”

E. Smith, Captain, The Titanic

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

Table of contents

I.	Foreword	4
II.	Activities of the FIU	5
1.	<i>Introduction</i>	5
2.	<i>Legal bases</i>	5
2.1.	Revision of the Law on the Financial Intelligence Unit (FIU Act)	5
2.2.	Overview	5
2.3.	Submission of suspicious activity reports	5
2.4.	Enforcement of international sanctions	6
3.	<i>Questions of practice</i>	6
3.1.	Verifying the plausibility of transactions	6
3.2.	Scope of the suspicious activity report	6
4.	<i>International cooperation</i>	7
4.1.	Forms of cooperation	7
4.2.	Egmont Group	7
4.3.	Financial Action Task Force	7
4.4.	MONEYVAL	8
4.5.	EU/EEA	8
5.	<i>Typologies</i>	9
5.1.	Back-to-back loan	9
5.2.	Transaction monitoring	9
5.3.	Art market	9
5.4.	Preliminary injunction of a foreign authority	10
5.5.	No cookie-cutter research	10
III.	Statistics	11
1.	<i>Overall view</i>	11
2.	<i>Suspicious activity reports under the DDA</i>	12
2.1.	Evaluation by sector	12
2.2.	Reason for submitting a suspicious activity report	12
2.3.	Statistics according to offence	13
2.4.	Forwarding of SARs to the Office of the Public Prosecutor	15
2.5.	International cooperation	16
3.	<i>Reports under the Market Abuse Act (MAA)</i>	16
4.	<i>Approvals and reports under the International Sanctions Act (ISA)</i>	17
IV.	Abbreviations	18

I. Foreword

4 |

Dear Readers,
Dear Colleagues,

The terrorist attacks in Paris and many other cities have been a bitter reminder that the efforts to stop the financing of terrorism so far have not yet been sufficient. Even though Liechtenstein fortunately has been spared attacks itself, we as an international financial centre of course feel responsible to do everything possible to prevent any type of financing of terrorism via Liechtenstein.

As part of the European Economic Area (EEA), which grants our financial institutions unimpeded access to the Single Market, the focus is on international cooperation. As an export-oriented small state, we have a fundamental interest in open borders and the free movement of capital. These freedoms cannot be had without obligations: Anyone wanting to benefit from the free movement of capital across borders must take care that cross-border crime can be prosecuted efficiently. The Financial Intelligence Unit has created the preconditions for such prosecution over the past years. Once again in the reporting year, it has made an important contribution to ensuring that money laundering and terrorist financing can be prevented and combated.

In addition to the processing and evaluation of a steadily increasing number and higher complexity of suspicious activity reports ("operational analysis"), strategic analysis is playing an increasingly important role. The goal of strategic analysis is to identify trends and methods of money laundering and terrorist financing and to develop measures against these ever-changing threats. These insights will also be useful to persons subject to due diligence so that they can apply their methods even more strongly than before in a risk-oriented manner. With the beginning of the work on a National Risk Assessment, we will be able to take a great step forward in this regard.

A milestone has also been reached at the legislative level: With the adoption of the revised FIU Act and the adjustments to the Due Diligence Act by the Liechtenstein Parliament, full legal compatibility with the international standard has been ensured. In this way, important gaps in the defensive measures have been closed that were identified in the 2014 country assessment.

In June 2015, the 4th EU Money Laundering Directive was adopted, which also applies to Liechtenstein via the EEA. This will continue to be an important challenge for the Financial Intelligence Unit as the lead authority, in cooperation with the Financial Market Authority Liechtenstein (FMA) and the other affected authorities.

Liechtenstein today is a recognized financial centre. As a location with an international orientation, we will continue to face the challenge of combating abuse in a consistent way. This international recognition was also the foundation for my appointment as the chairman of MONEYVAL effective December 2015.

As in previous years, the additional work was once again absorbed with the same personnel resources. Once again, my recognition and gratitude go to the competent, hardworking team of the Financial Intelligence Unit. Without you, our key contribution to securing the international competitiveness of the financial centre would not be possible.

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. Revision of the Law on the Financial Intelligence Unit (FIU Act)

The Law on the Financial Intelligence Unit (FIU Act),¹ which had existed since 2002 and only details of which had been amended since then, underwent a thorough revision in 2015. On the one hand, the revision was occasioned by the changed international standards (new FATF Recommendations and EU Money Laundering Directive). But the country assessment conducted by the International Monetary Fund in 2014 had also found deficiencies in the measures to defend against money laundering and terrorist financing.

The revised FIU Act strengthens the legal basis for the FIU's rights to receive information, and it improves data protection, specifically through better protection of persons subject to due diligence who submit suspicious activity reports. The FIU Act also improves the cooperation of the FIU with domestic and foreign authorities, the right of persons concerned to receive information, and the punishability of violations.

At the same time, Parliament at the end of 2015 adopted further amendments to other legislation regarding the responsibilities of the FIU that became necessary due to the revision of the FIU Act. The aim here was primarily to clarify that professional secrecy does not interfere with the powers of the FIU.

¹ Law of 2 December 2015 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 Until entry into force of the revised FIU Act on 1 March 2016, the FIU forwarded suspicious activity reports to the Office of the Public Prosecutor if the suspicion of money laundering, a predicate offence of money laundering, terrorist financing, or organized crime was substantiated.

⁴ Law of 24 November 2006 against Market Abuse in the Trading of Financial Instruments (Market Abuse Act; MAA; LR 954.3)

⁵ Law of 10 December 2008 on the Enforcement of International Sanctions (International Sanctions Act, ISA; LR 946.21)

2.2. Overview

The powers and responsibilities of the FIU are primarily set out in the Law on the Financial Intelligence Unit (FIU Act). 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 FIU is independent in the performance of its responsibilities. The core responsibilities and other 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 prepares an analysis report for the attention of the Office of the Public Prosecutor.³ The FIU is also authorized to obtain information itself from publicly available and non-publicly available sources.

According to the Market Abuse Act (MAA),⁴ the FIU was also responsible in the reporting year for receiving, evaluating, and analysing reports under article 6(1) MAA if there was suspicion that a transaction using financial instruments might constitute insider dealing or market manipulation (market abuse). If the suspicion of market abuse was well-founded, the FIU forwarded the report to the Financial Market Authority (FMA). In the future, the FMA will be responsible for receiving these reports directly.

Within the framework of the special ordinances on the Law on the Enforcement of International Sanctions (International Sanctions Act, ISA),⁵ the FIU also carries out various enforcement functions such as receiving reports and enforcing asset freezes.

2.3. 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 5a(1) 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 19a(1) of the FIU Act sets out that the

FIU may demand information for analysis purposes from persons subject to due diligence in the performance of its duties. This request for information takes precedence over all confidentiality obligations recognized by the state.

Analysis report for the attention of the Office of the Public Prosecutor

Pursuant to article 4(c) of the FIU Act, the FIU transmits an analysis report to the Office of the Public Prosecutor if, on the basis of an analysis conducted by the FIU, the suspicion of money laundering, a predicate offence of money laundering, organized crime, or terrorist financing is substantiated.

According to article 18 of the Due Diligence Act (DDA), persons subject to due diligence may not execute any transactions which they know or suspect to be related with money laundering, a predicate offence of money laundering, or organized crime until a suspicious activity report has been submitted, and even then only if a paper trail is maintained. On an exceptional basis – such as when prior notification is not possible – the suspicious activity report may be submitted immediately after execution of the transaction. The FIU may grant exceptions to the requirement of a paper trail.

Assets that, on the basis of leads, are possibly related to terrorist financing, must be blocked by the persons subject to due diligence until a decree from the competent law enforcement authority has arrived or at the longest for 10 business days.

2.4. 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.

⁶ This does not cover information that a lawyer has received from or obtained through his or her party, if the lawyer is assessing that party's legal position or is defending or representing that party in or in connection with judicial proceedings.

3. Questions of practice

3.1. Verifying the plausibility of transactions

When receiving suspicious activity reports, the FIU repeatedly notes that they are often submitted on the basis of matches with persons listed in commercial databases (2015: 24% of reports). The analysis of the business relationship then frequently shows that, if the transaction analysis had been performed conscientiously by the person subject to due diligence, indicators of money laundering could already have been found at an earlier time. In the view of the FIU, the person subject to due diligence failed to conduct sufficient special clarifications. For instance, business transactions at the request of clients are often seen that cannot be reconciled with the client profile. These transactions may include interest-free loans without a maturity or specific reason for the loan. The documents supplied by the client often hardly meet the minimum requirements, and the same documents are often used repeatedly (copy/paste). Verification of repayment is also not always performed. Finally, no information is included in the business profile on the borrower or on the circumstances of the loan. Other examples of such insufficient clarification can also be seen in regard to contracts for trade in goods that often differ only in regard to amount and date, while the layout of the document remains the same despite a change in business partner. Other cases include real estate or car purchase agreements that are requested by the client and filed for the purpose of documentation, even though no critical examination of the agreement is performed in the face of signs that the agreements are bogus. Stronger risk awareness is necessary in this regard, as well as in-depth clarification and higher prioritization of transaction analysis. The failure to detect or pursue indicators that should give rise to suspicion, in combination with the execution of a transaction without prior submission of a report in accordance with article 17 DDA, is considered a violation of article 18(1) DDA and possibly also as a contributory act to money laundering.

3.2. Scope of the suspicious activity report

Naturally, the scope of submitted suspicious activity reports varies in practice from case to case. In any event, the necessary information and documentation must be submitted to the FIU using the appropriate form (www.fiu.li/formulare) in order to meet all requirements under article 17 DDA and to submit a suspicious activity report in a formally correct manner. The FIU form serves as an instruction to the person subject to due diligence for the submission of a report, and it also makes all information available to the FIU that is necessary to perform an analysis as quickly as possible and without the need to request follow-up information. Incomplete reports or the failure to transmit relevant documents make it impossible for the FIU to perform its duties efficiently. Suspicious activity reports submitted with due diligence documentation

failing to indicate clarifications undertaken by the person subject to due diligence are also considered incomplete. The FIU would like to remind persons subject to due diligence that a suspicious activity report is deemed submitted when all necessary information has been provided. The FIU confirms this to the reporting person or entity by way of a written confirmation of receipt. Incorrect submission may be considered relevant in regard to the execution of a transaction, because article 18(1) DDA requires that such transactions be executed only after a suspicious activity report has been submitted. Violations are subject to penalties as set out in article 30(1)(h) DDA.

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. The FIU is also 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 15 years. This group is the worldwide gathering of national financial intelligence units, currently with a membership of 151. 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 is a member of working groups in several projects of the Egmont Group.

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 process them. 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 procedural rights of the persons concerned are safeguarded at all times.

At the bilateral level, the focus of the FIU has been on cooperation in particular cases. To further strengthen this cooperation, 25 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 2015 MoUs were concluded with the FIUs of Taiwan, Panama, Macedonia, and Cyprus.

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 35 states, 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 regard to several other states. In addition to participating in the plenary meetings, the FIU regularly takes part in meetings of the ECG (Evaluation Compliance Group), which is responsible for verifying country reports and interpreting the FATF standard. Daniel Thelesklaf has also been appointed co-chair of the subgroup of the International Co-operation Review Group (ICRG) of the FATF

responsible for Europe and Eurasia. The ICRG is responsible for the analysis of high-risk jurisdictions and the elaboration of appropriate measures. Possible measures range from the development of an action plan and public identification of the country in question to a call for members to apply countermeasures.

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 since December 2015 has also served as the chairman of MONEYVAL. Liechtenstein will thus continue to be represented in the 5-person Bureau (executive organ) of MONEYVAL in the coming years.

Subsequently to the fourth round of MONEYVAL's country assessment of Liechtenstein under the 2003 FATF standard, the FIU undertook the necessary work through revision of the FIU Act. The result of this work is the revised FIU Act adopted by Parliament in December 2015, which takes account of and implements into national law the findings of the team of experts for the 2013/14 country evaluation as well as the requirements of the 4th EU Money Laundering Directive, which entered into force in the reporting year.

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 and the transposition workshops where implementation of the 4th EU Money Laundering Directive, which entered into force in June 2015, is discussed.

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). These provisions were implemented through the revision of article 5a(1)(b) of the FIU Act in combination with article 19a(1) DDA.

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) of the directive), 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) of the directive). This provision is due to be implemented as part of the planned revision of the DDA.

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) of the directive). Exceptions apply only to lawyers. All suspicious transactions, including attempted transactions, must be reported (article 33(1)(a) of the directive), and the SARs are transmitted by the compliance officer (article 33(2) of the directive as well as article 17 and article 19a(1) DDA).

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) of the directive, implemented in article 18 DDA). The ban on providing information applies both to SARs and to transmission of information at the instruction of the FIU (article 39(1) of the directive, implemented in articles 18b and 19a(4) DDA).

The exchange of information between the FIU and persons subject to due diligence must occur through secure communication channels (article 42 of the directive; on the basis of Article 17(1) DDA, the Government has the possibility of providing further details by ordinance). 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 of the directive; see the exclusion of criminal and civil liability in article 19 DDA).

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) of the directive, implemented in article 7(2) of the FIU Act). 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) of the directive, implemented in article 7 in conjunction with article 5a of the FIU Act). 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
- fines of at least EUR 1 million (and EUR 5 million (or 10% of turnover) for banks and other financial institutions).

The points contained in the directive and concerning the FIU have largely been implemented through the 2015 revision of the FIU Act. Implementation of the remaining requirements of the EU directive are scheduled to be completed before the transposition deadline for the directive and thus by June 2017 at the latest, mainly through revision of the DDA.

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. Back-to-back loan

A bank granted several loans to domiciliary companies. To secure this credit, the bank received a payment from a foreign bank. When the loan to the domiciliary company was declared to be in default, the Liechtenstein bank resorted to the security provided. The foreign bank (and guarantor) then went bankrupt. Research showed that the beneficial owner of the bankrupt foreign bank appeared to be identical with the beneficial owner of the domiciliary company. Back-to-back loans are an indicator of money laundering. This example shows that while the relevant information was documented when preparing the business profile, the indicator of money laundering was not clarified sufficiently. The bank was therefore unable to recognize that the constellation was set up with the sole purpose of committing bankruptcy fraud.

Indicators: Back-to-back loans (Annex 1b(III)(C)(1) of the Due Diligence Ordinance (DDO)), structure that is economically not plausible (Annex 1b(II)(5) DDO)

5.2. Transaction monitoring

The transaction monitoring system of a bank filtered out two transactions that could not be reconciled with the business profile. The subsequent questions raised by the client advisor were not answered by the client. The client's profession was recorded as "provider", and asset inflows were claimed to be commissions from mediated business. Outflows were mainly by way of a cash card. Two conspicuously high payments raised suspicion, because they could not be reconciled with the previous behaviour of the client. On the basis of the suspicious activity report submitted, the FIU found that the client was part of a criminal organization for the establishment of a snowball system, alleged to have committed fraud in the amount of more than EUR 40 million against about 1,000 injured parties. The money was then transferred via domiciliary companies in several countries; the amount transferred via Liechtenstein amounted to about EUR 1 million.

Indicators: Lack of cooperation by the client in regard to clarifications (Annex 1b(II)(10) DDO), use of cash cards (Annex 1b(III)(B)(1) DDO), transactions inconsistent with the client profile (Annex 1b(II)(4) DDO).

5.3. Art market

Two domestic financial market participants – a bank and a professional trustee – independently submitted suspicious activity reports when they found a match between an existing client and an entry in a commercial database, indicating that the person was subject to criminal investigations abroad for fraud relating to the art trade. The FIU's analysis indicated that the person had presented himself simultaneously as an advisor and as a broker of works of art, using offshore structures set up between the buyer and the seller to inflate the prices of the art.

Indicator: Media reports about criminal offences (Annex 1b(II)(25) DDO).

5.4. Preliminary injunction of a foreign authority

A bank gained knowledge via a third party of the existence of a preliminary injunction issued by a foreign supervisory authority against several of the bank's clients. According to these preliminary injunctions, assets abroad in connection with the performance of activities in the financial services sector subject to a licence were blocked. Bank-internal clarifications indicated that, in addition to the persons affected by the injunctions, there were also connections with other business relationships. The bank also found that money was being transferred from accounts of the persons concerned held at other banks and in turn was transferred to their accounts abroad. Additionally, numerous payments were made to private individuals labelled as "commissions". It was especially conspicuous that one company repeatedly recorded inflows

10 | from private individuals in connection with equity sales, and that this company then granted a loan to an involved natural person for buying a house in the amount of CHF 2.5 million. The loan was not granted to the recorded beneficial owner, and when no repayment of the loan was found, doubts arose concerning the beneficial ownership of that company.

According to the business profile, the companies involved had various shareholdings in active companies not listed on the stock market. The shareholdings were claimed to be valued in the low hundreds of millions.

The FIU's analysis showed that the nominal values of the shares of the companies held were between CHF 2.00 and CHF 0.001, and the denominations were between 200,000 and 40,000,000 shares, with inconclusive valuations. Moreover, pass-through payments had been made, and the doubts concerning beneficial ownership of several of the business relationships were certainly justified. It was also found that foreign law enforcement authorities were conducting proceedings against the two involved natural persons on grounds of offences relevant to money laundering. The case was forwarded to the Office of the Public Prosecutor.

Indicators: Pass-through accounts (Annex 1b(II)(1) DDO), media reports about criminal offences (Annex 1b(II)(25) DDO).

5.5. No cookie-cutter research

A potential client presented himself to a Liechtenstein bank as a contributor of USD 350 million, which were to be transferred from a South American bank to Liechtenstein. During a routine check of the name of the potential client in commercial databases, a similarity with the name of a different registered person was found. While the two names were different and also implied different countries of origin, further research with the help of photos found on the Internet determined that the registered person was the same referred to in commercial databases as the "banker of a drug cartel". The bank did not enter into a business relationship with the person and immediately submitted a suspicious activity report.

Indicator: Media report about criminal offences (Annex 1b(II)(25) DDO).

III. Statistics

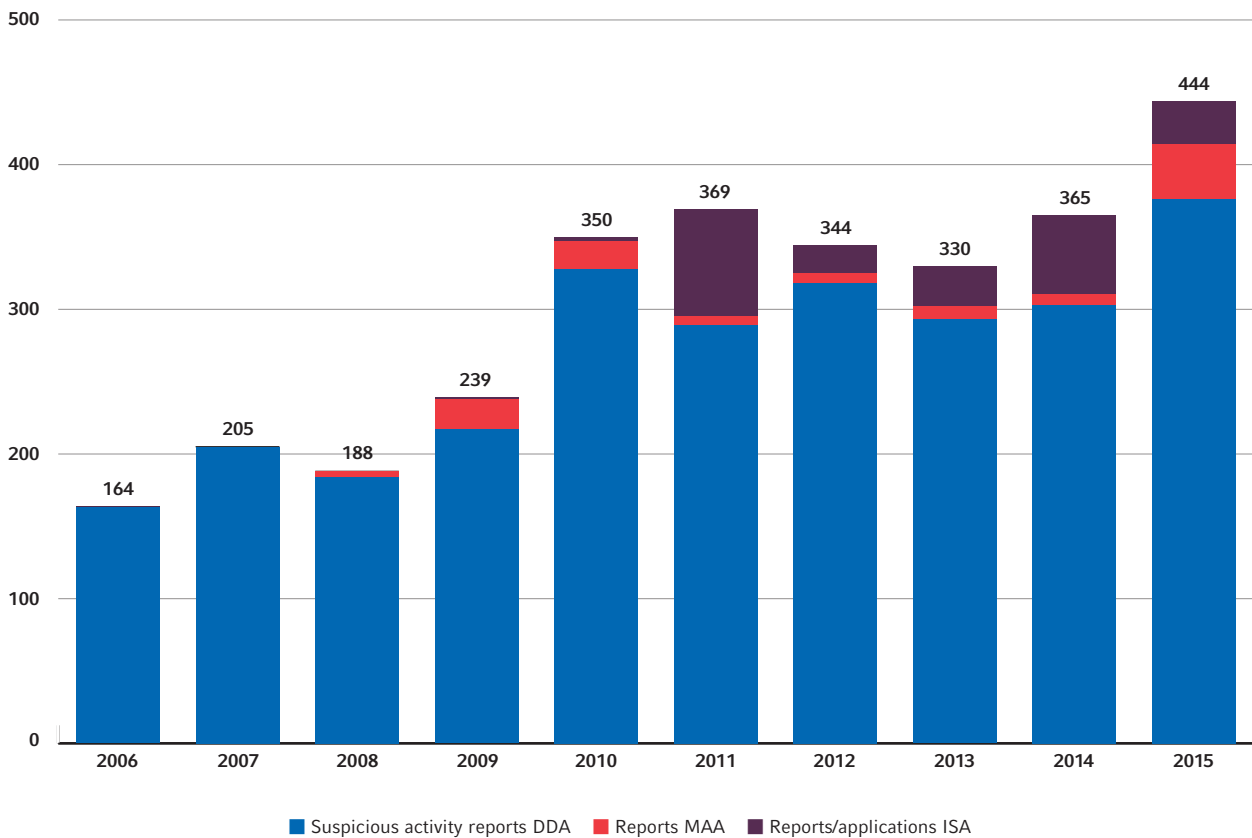
1. Overall view

During the reporting year, a total of 444 SARs under the DDA, reports under the MAA, and reports and applications under the ISA were submitted to the FIU. After last year's increase by about 10% over 2013, this represents another increase by 21% over the previous year. While the number of reports and applications under the ISA and MAA increased only slightly over the previous year (+6), the SARs under the DDA increased very significantly.

This is also due to two major clusters of cases that triggered several reports.

In 2015, the FIU received a total of 376 SARs under the DDA, which corresponds to an increase by 24%. The number of SARs is significantly higher than the steadily rising 10-year average of about 269 SARs.

All SARs, reports, and applications for approval



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
■ Suspicious activity reports DDA	163	205	184	217	328	289	318	293	303	376
■ Reports MAA	0	0	4	21	19	6	7	9	7	38
■ Reports/applications ISA	1	0	0	1	3	74	19	28	55	30

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 2015 came from the following sectors:

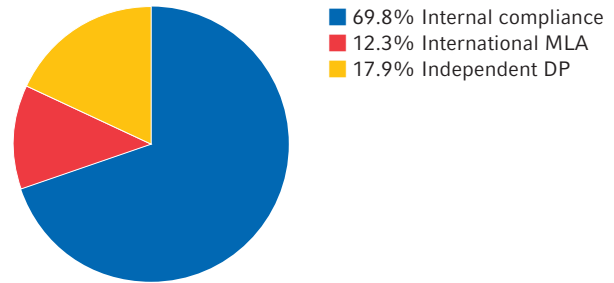
Sector	2011	2012	2013	2014	2015
Banks	126	199	185	192	245
Professional trustees	67	76	51	63	65
Insurers/insurance intermediaries	37	29	16	21	30
Payment service providers (PSPs)	0	0	21	7	12
Public authorities	21	3	10	7	10
Lawyers	5	2	7	6	7
Asset management companies	1	3	1	4	3
Auditors/audit companies	31	5	0	1	3
Dealers in high-value goods/auctioneers/misc.	1	1	1	1	1
Precious metal dealers	0	0	0	1	0
Investment undertakings	0	0	1	0	0
Total:	289	318	293	303	376

2.2. Reason for submitting a suspicious activity report

The SARs are classified according to whether they

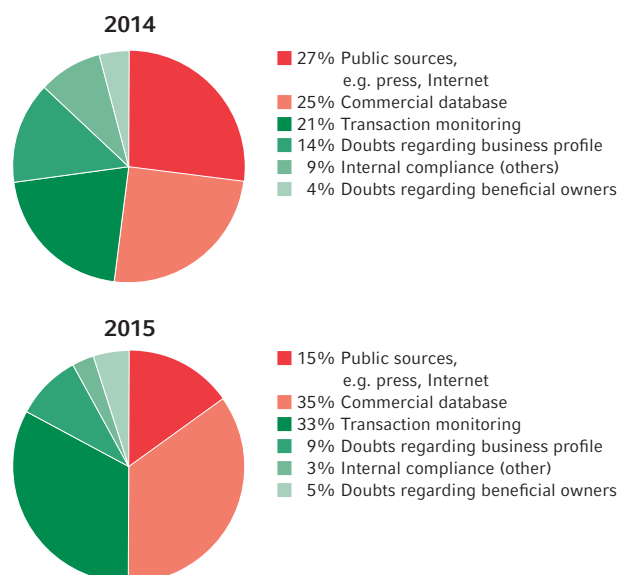
- were submitted pursuant to own clarifications of unusual or conspicuous transactions (internal compliance),
- were submitted on the basis of knowledge gained by the person subject to due diligence pursuant to international requests for mutual legal assistance (MLA), or
- originated in independent domestic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

Reasons for submission



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 one third of the SARs, the SAR was triggered by monitoring of the transactions. In future, significantly more importance should 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

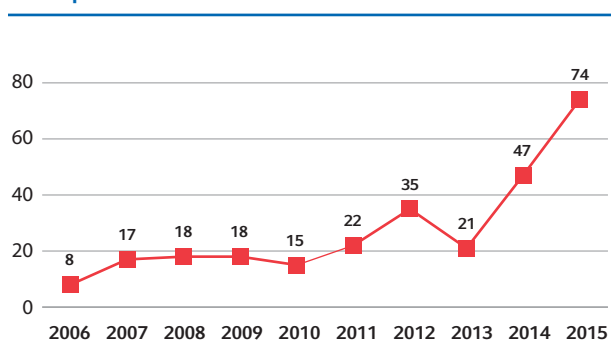
A predicate offence is the offence from which the assets originate or might originate or through which the assets have been generated. For the statistics, the predicate offences are relevant that are ascertained by the FIU's analysis of the SARs pursuant to the DDA, even where these results are only 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, corruption offences increased by 20% (previous year: +16%). Additionally, the share of market manipulation and insider dealing rose from 2% to 11%.

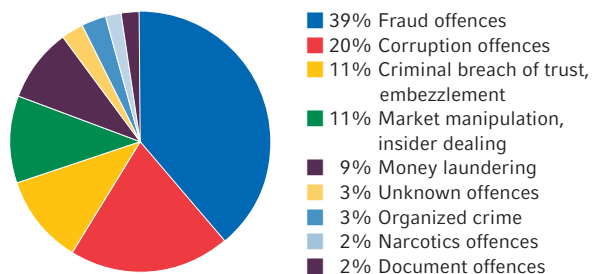
Corruption offences

After corruption offences rose to 47 already in the previous year, this number increased further in 2015: 74 SARs were connected with corruption offences in the reporting year.

Corruption offences



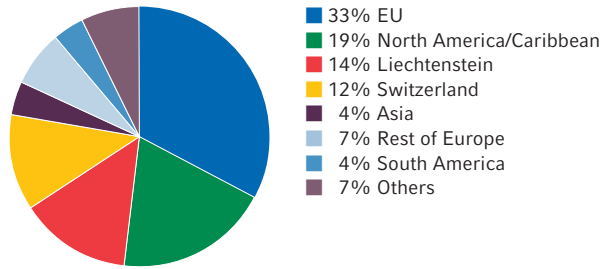
Predicate offences



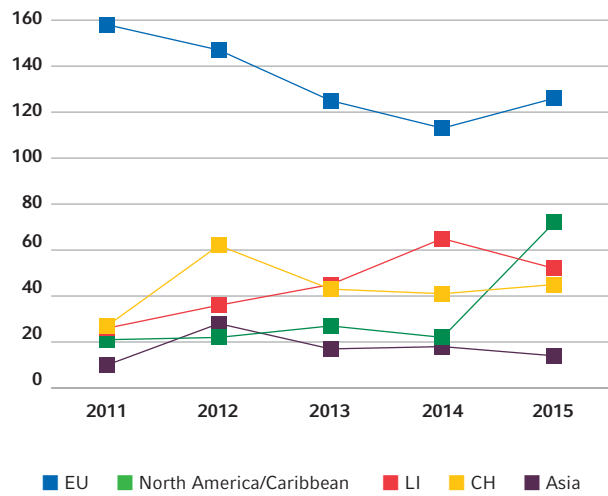
Nationality/domicile of the contracting party

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



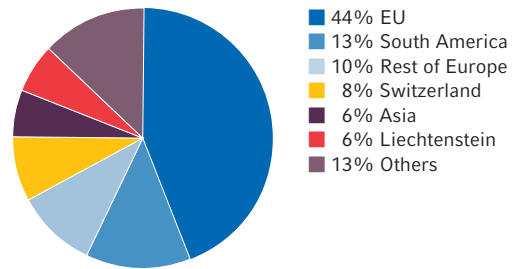
Nationalities/domiciles of contracting parties by region



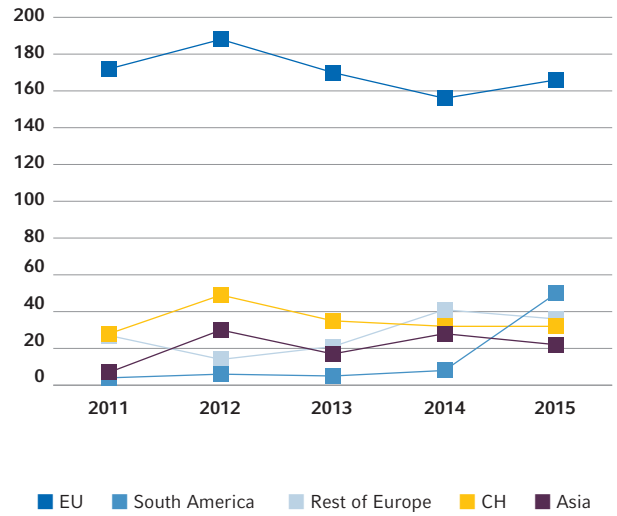
Nationality of the beneficial owners

These statistics provide information on the most frequent origins of the beneficial owners indicated in the SARs

Nationalities of the beneficial owners by region



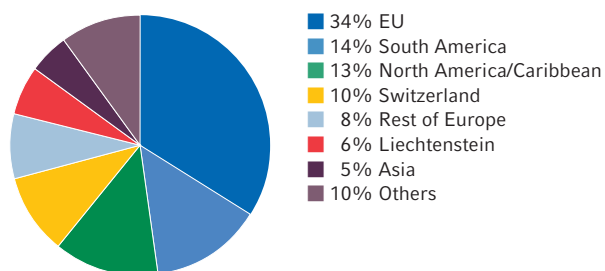
Nationalities of the beneficial owners by region



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.

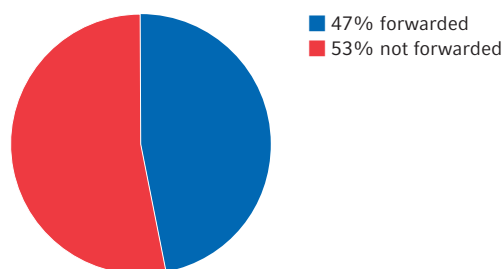
Regions in which the predicate offences were committed



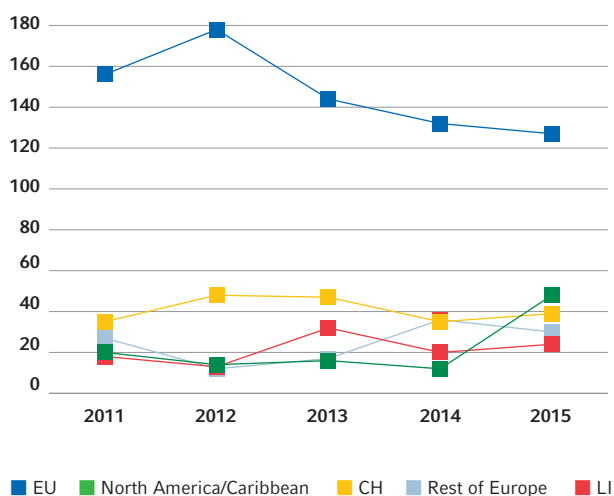
2.4. Forwarding of suspicious activity reports to the Office of the Public Prosecutor

If analysis leads to substantiation of a suspicion of money laundering, 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. ⁷

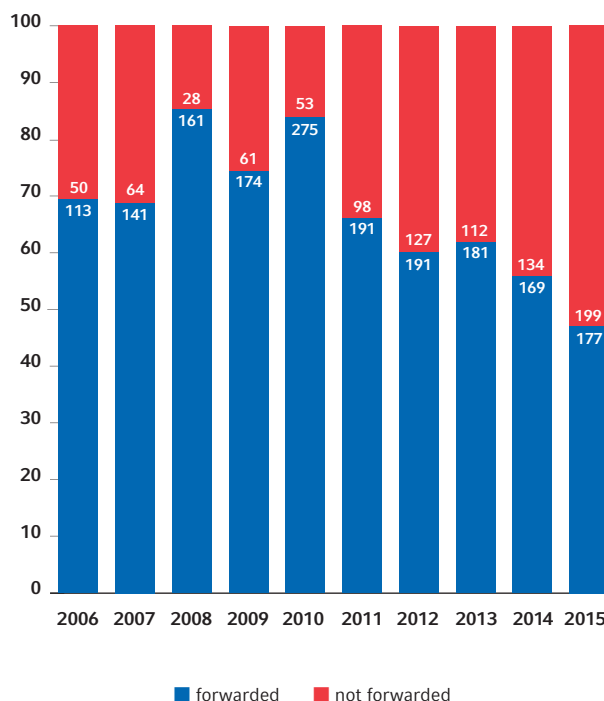
SARs forwarded to the Office of the Public Prosecutor



Regions in which the predicate offences were committed



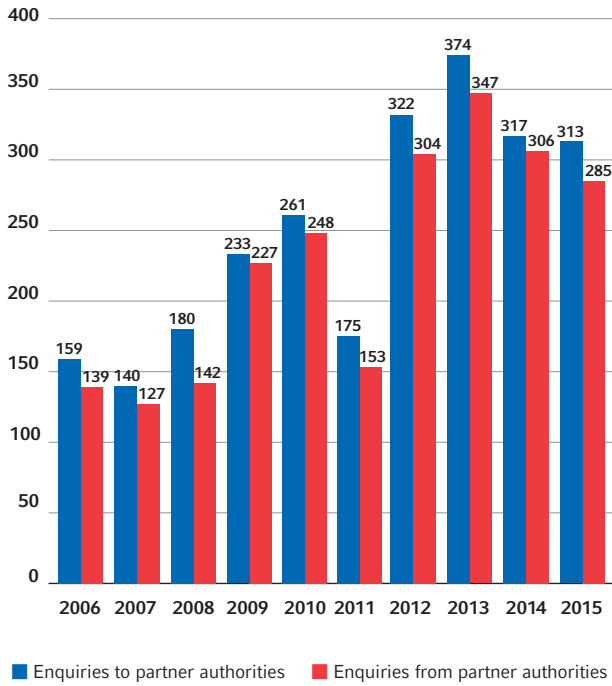
SARs forwarded to the Office of the Public Prosecutor



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.

⁷ Law of 14 March 2002 on the Financial Intelligence Unit (FIU Act; LR 952.2).

Enquiries to and from foreign partner authorities

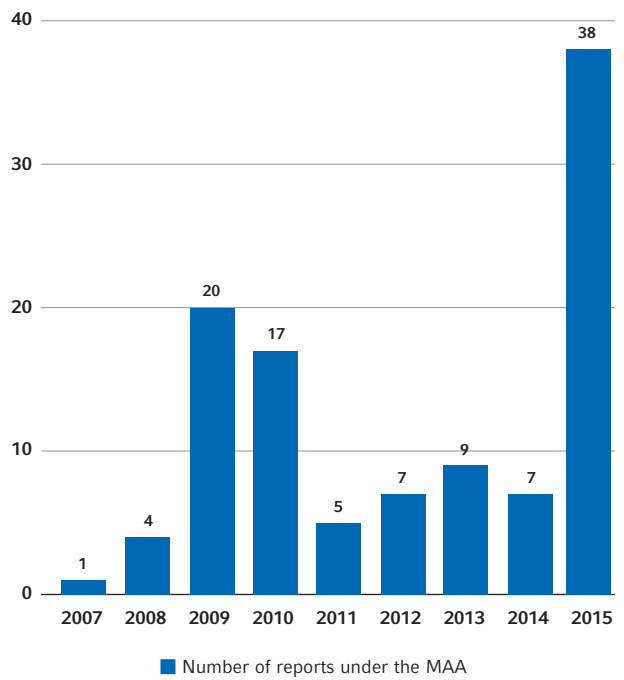


The number of enquiries from and to other FIUs is slightly lower than in the previous year. The figures demonstrate the international orientation of the Liechtenstein financial centre. Nearly all SARs concern at least one person residing outside Liechtenstein.

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

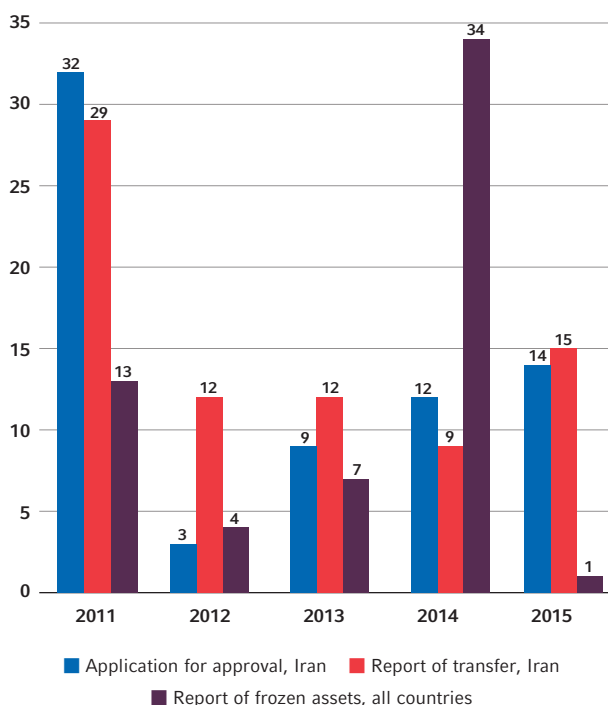


The 38 reports submitted during the reporting year are mainly due to a major cluster of cases that triggered numerous reports.

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 or to submit an application for approval. During the reporting year, 30 reports and applications for approval were received pursuant to the ordinances on enforcement of international sanctions in Liechtenstein.

Reports and applications under the ISA



The reports of transfer in regard to the Islamic Republic of Iran were slightly higher than the average in recent years. The situation in Ukraine and the associated sanction measures barely resulted in any reports or applications for approval anymore.

IV. Abbreviations

18	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>

