STABSSTELLE FINANCIAL INTELLIGENCE UNIT
DES FÜRSTENTUMS LIECHTENSTEIN

Annual Report 2017

Financial Intelligence Unit (FIU)
of the Principality of Liechtenstein

"Neither a wise man nor a brave man lies down on the tracks of history to wait for the train of the future to run over him."

Dwight D. Eisenhower

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I. Foreword

Dear Readers
Dear Colleagues

The transformation of the Liechtenstein financial centre is far advanced. Financial institutions have developed new business models that are compliant with the standards. Confidence in the financial centre has continued to grow, and optimism is prevailing. However, the transformation has also created risks of abuse, combating which remains a high priority.

These new business models are more complex than the old ones. This can also be seen in the cases dealt with by the Financial Intelligence Unit (FIU) in 2017. Although the number of cases (suspicious activity reports and sanction reports) has fallen significantly in absolute terms, the resulting workload and effort have increased considerably. To keep up with this increase and to make processes more effective, the FIU is introducing new software ("goAML"), which is currently regarded as the industry standard. In future, suspicious activity reports will be submitted electronically by the persons subject to due diligence.

Over the last 2 years, fundamental changes to the legal bases relevant to the FIU have entered into force. These include an expansion of the FIU's powers in 2016 and the possibility created in 2017 to prohibit transactions for a period of at most two working days. These changes have proven to be valuable, and especially the expanded powers have increased the effectiveness of the fight against money laundering and terrorist financing. These improvements were acknowledged in the latest progress report prepared by MONEYVAL – another sign that Liechtenstein's efforts are being recognised. Together with the other authorities, we will continue to make an important contribution to safeguarding the reputation of Liechtenstein.

Money laundering methods are becoming increasingly complex. Money launderers precisely analyse the measures to combat money laundering and develop evasion scenarios and circumvention strategies. A modern financial centre is characterised by its timely recognition of changing threats and by its ongoing adjustments of defensive measures. New technologies generally referred to as "fintech" also give rise to new risks of abuse; at the same time, they are expected to create new opportunities to combat financial crime.

The last few years have been marked by a further increase in the risk of terrorism in Europe. Although Liechtenstein's risk of being directly affected by an act of terrorism is fortunately considered to be very low, the country is nonetheless called upon to combat the financing of terrorism. As an open and international financial centre, we must ensure that we avoid any financing of terrorism, directly or indirectly.

The FIU is also the enforcement authority for international sanctions. Following the agreement with Iran, some of the sanctions measures were lifted also in Liechtenstein. This has led to a strong decline in reports. But other sanctions measures have been expanded, and the FIU will continue to be in strong demand here as well. This trend is likely to intensify in the coming years.

Combating money laundering is successful only if it is risk-based. The foundation of this risk-based approach is an honest and unsparing risk analysis. Under the leadership of the FIU and in cooperation with the business associations in the financial centre, the authorities concerned have developed the basis for the first National Risk Analysis. The results will be provided to the persons subject to due diligence in 2018 so that they can use them as a basis to better assess their risks.

Liechtenstein attaches great importance to international cooperation, where we continue to advocate strongly for a level playing field. FIU employees have thus continued to take part in MONEYVAL country assessments in recent years, ensuring that compliance with standards is not only our own objective, but is also adhered to by others. The FIU's employees are its capital. No new business models are necessary in this regard: we continue to rely on proven and experienced employees, to whom I would like to express my greatest thanks.

Daniel Thelesklaf
Stabsstellenleiter

II. Activities of the FIU

1. Legal bases

1.1. Revision of the Financial Intelligence Unit Act (FIUG)
The need for a revision of the FIU Act (FIUG), which was originally adopted in 2002 and has remained largely unchanged since then, arose initially as a result of Liechtenstein's IMF/MONEYVAL country assessment in 2014, based on the 2003 FATF standard in effect at the time, which has meanwhile been greatly expanded. Liechtenstein's implementation of the FATF standard with regard to the FIU was assessed as unsatisfactory, or merely "partially compliant" (specifically with respect to implementation of FATF Recommendations 4, 26, and 40). The IMF/MONEYVAL report of June 2014 stated that the FIU's right to obtain information and to engage in international cooperation was affected in an unacceptable way by provisions on professional secrecy, especially those contained in existing specialised legislation. The lack of penal provisions to sanction the refusal of persons subject to due diligence to provide information was also criticised. Other points of criticism in the report concerned the FIU's obligation to forward suspicious activity reports it receives to the Office of the Public Prosecutor; this criticism was also shared by many persons subject to due diligence. Furthermore, the automatic blocking of assets after submission of a suspicious activity report was also criticised.

The opportunity of a revision first of all made it possible for the legislative power to modernise the FIUG and to structure the tasks and powers more clearly.

The analysis of suspicious activity reports ("operational analysis") continues to be the main task of the FIU. The aim of this analysis process is to evaluate suspicious activity reports submitted by persons subject to due diligence and thus to separate the wheat from the chaff. Based on this analysis, information is then forwarded to the Office of the Public Prosecutor when it is appropriate to initiate a criminal investigation. The FIU's function is upstream to that of the prosecution authorities; it has no police powers and competences (the FIU is thus referred to as an "administrative FIU").

Another objective of the revision was to strengthen data protection, giving priority to the protection of the person subject to due diligence submitting the report (i.e. the national). This prevents inferences from being drawn as to who notified the FIU of what fact pattern and when, which is why an indirect right of information was established. The procedural rights of the persons concerned are fully respected as soon as they become the subject of a criminal investigation. Within the upstream area of FIU analysis, however, the public interest in a possible prevention or detection of criminal offences, the protection of the reporting person, and a trustworthy handling of sensitive data are the dominant criteria. For that reason – and in accordance with international standards – the rights of persons affected by the submission of a suspicious activity report must be limited as long as they are not the subject of criminal proceedings.

1.2. Revision of the Due Diligence Act (SPG)
The FIU can perform its analysis and filter function only if it has access to all necessary information. The IMF/MONEYVAL country assessment identified deficits in this regard and thus inadequate implementation of international standards. This recommendation was followed by expanding the FIU's powers to analyse financial information (Article 19a SPG). This has proven itself in practice and does not change the nature of the FIU's activities: the FIU remains an administrative authority, and its activities are purely analytical. These powers allow the FIU to better filter the fact patterns, thus also benefiting the persons who may be affected by suspicious activity reports.

Further legal adjustments were made in 2017 that are relevant to the FIU's work. These pertain first of all to the revision of the Due Diligence Act in the context of incorporation of the 4th EU Anti-Money Laundering Directive into the EEA Agreement and the associated adjustment of the provision in Article 18 SPG governing the execution of suspicious transactions after a suspicious activity report has been submitted.

1.3. Revision of the International Sanctions Act (ISG)
The Law on the Enforcement of International Sanctions (International Sanctions Act, ISG) has also been revised. As the competent enforcement authority, the FIU is especially affected by the newly planned modalities for implementing UN sanctions. These sanctions will now become valid upon publication by the UN and accordingly without any subsequent decision by the Liechtenstein Government to incorporate them into domestic law. The Financial Intelligence Unit is providing information in this regard in the FIU newsletter.

The IMF/MONEYVAL country assessment in 2014 attested that Liechtenstein had made substantial progress in combating terrorist financing. Of the FATF's nine Special Recommendations on Terrorist Financing, six were considered to have been implemented satisfactorily. In the case of one relevant recommendation, however, considerable deficits were identified. This concerned the requirement to have a legal possibility of establishing one's own sanctions lists or of adopting the lists of other countries. It was also considered a deficit that the period between the time of listing of a person by the UN Security Council and the corresponding domestic implementation was too long.

The purpose of the revision of the International Sanctions Act (ISG) in 2017 was to remedy these deficits and close the corresponding legal gaps. This was implemented through amendments to the ISG, which since 2009 has

been the legal basis for the implementation of UN sanctions and for the voluntary incorporation of sanctions measures adopted by Liechtenstein's most significant trading partners. On the basis of the ISG, the individual sanctions are issued in the form of ordinances.

Legal protection for those affected was also clarified and strengthened. Finally, the protection of financial institutions against possible liability risks in the performance of their duties was also strengthened. An exclusion of civil and criminal responsibility was incorporated into the ISG. The amendments to the ISG ensure that Liechtenstein can fully meet its obligations under international law to combat terrorist financing, while at the same time attaching great importance to the legal protection of those affected and to the concerns of financial institutions.

One of the requirements under UN Security Council resolution 1373 (2001) is that all states must freeze without delay the assets of persons or companies associated with terrorism. Liechtenstein has met this obligation in practice by implementing sanctions measures and the associated sanctions lists of the UN and Liechtenstein's "most significant trading partners" (in particular the European Union and Switzerland) in accordance with the ISG. However, the old ISG did not allow the assets of persons and companies associated with terrorism to be frozen if they were not on the relevant sanctions lists of the UN or of Liechtenstein's "most significant trading partners".

Until now, the ISG did not provide any legal basis for Liechtenstein to establish sanctions lists itself or to incorporate the lists of other states. This was determined to be an insufficient implementation of UN Security Council resolution 1373 (2001). Accordingly, the ISG's scope of application was explicitly extended to include this international legal obligation derived from UN Security Council resolution 1373 (2001).

A key pillar for the enforcement of international sanctions is the possibility for the Government to enact coercive measures in the form of ordinances based on the ISG. As a rule, these ordinances also set out obligations to report to the Financial Intelligence Unit. The Due Diligence Act stipulates that the persons reporting to the FIU are exempt from any civil and criminal responsibility if they have performed the obligations in good faith. This means that appropriate protection of financial institutions now also exists within the scope of the ISG.

Moreover, the practice of enforcing coercive measures under the ISG has shown that the rules governing the legal protection of persons affected by these measures were not clear. In accordance with developing case law, persons affected by a coercive measure may in future submit a substantiated request to the Government at any time to have their name removed from a list contained in the annex of a sanctions ordinance (new Article 8a ISG). This decision by the Government may be appealed to the Administrative Court. Legal protection is thus fully guaranteed, analogously to the relevant provisions in Switzerland.

The new Article 14a provides for automatic adoption of UN sanctions lists by way of an ordinance. Specifically, the lists of persons, groups, undertakings, and organisations previously contained in the annexes to the sanctions ordinances have been replaced by a simple reference to the sanctions lists of the UN Security Council or the competent committee. This reference confers direct legal effect to the sanctions lists of the UN Security Council or the competent committee. There is no need to transpose these lists into domestic law.

It should be noted that the sanctions measures themselves as well as changes to existing sanctions measures continue to be decided by the Government in the form of ordinances.

Finally, the FIU has issued guidance dealing with individual questions pertaining to sanctions, in particular questions of interpretation relating to the coercive measures required by the applicable ordinances (new Article 15(2) ISG). The guidance can be found on the FIU website.

These are the new provisions in the ISG:

Article 1(2a)	2a) This Act applies mutatis mutandis to coercive measures serving to enforce international obligations set out in paragraph 1(c) and (d) of United Nations Security Council resolution 1373 (2001).
Article 4a	**Exclusion of civil and criminal responsibility:** Anyone who makes arrangements in good faith in compliance with a coercive measure shall be exempt from any civil and criminal responsibility.
Article 8a	**Request for removal or non-application:** 1) Natural and legal persons, groups, undertakings, and organisations affected by a coercive measure may submit to the Government a substantiated request to have their name removed from the annex of an ordinance referred to in Article 2(2) or for non-application of the coercive measure. 2) The Government shall decide on the request**.**
Article 14a	**Automatic adoption of United Nations lists:** 1) By ordinance, the Government may provide for automatic adoption of the lists issued or updated by the United Nations Security Council or the competent committee of the Security Council covering natural and legal persons, groups, undertakings, and organisations. 2) The lists referred to in paragraph 1 shall not be published in the Liechtenstein Law Gazette. They may be accessed on the website of the United Nations.
Article 15(2)	2) The executing authorities may issue guidance on the detailed interpretation of the provisions of this Act and of the ordinances referred to in Article 2(2).

1.3.1. Ordinance on Measures against the Islamic Republic of Iran (LGBl. 2016 No. 10)

On 13 February 2007, the Government adopted measures against the Islamic Republic of Iran and issued an ordinance to that effect. With this ordinance, Liechtenstein implemented the relevant UN Security Council resolutions. Following the Joint Comprehensive Plan of Action (JCPOA) between the E3/EU+3 (China, Russia, United States, Germany, France, United Kingdom) and Iran, the Government decided to relax the sanctions on the implementation day of the nuclear agreement in line with the UN and the EU. On 19 January 2016, the new ordinance on measures against the Islamic Republic of Iran was published and put into force.

A significant change was that under the new ordinance, the reporting and approval requirement for funds transfers from or to Iranian persons/organisations was eliminated. Such funds transfers no longer need to be reported or approved.

1.3.2. Ordinance on Measures against Certain Persons from Ukraine (LGBl. 2014 No. 58)

On 28 February 2014, the Government adopted measures against certain persons from Ukraine and issued an ordinance to that effect. On 5 March 2018, the Council of the European Union decided to extend the existing financial sanctions against certain persons from Ukraine for a further year until 6 March 2019. Given that Liechtenstein had in the past supported the sanctions adopted by the European Union against certain persons from Ukraine, the extension was adopted analogously to the European Union with the addition that the validity of the ordinance on measures against certain persons from Ukraine was extended until 20 March 2019.

1.3.3. Ordinance of 30 January 2018 on Measures against Venezuela (LGBl. 2018 No. 6)

On 30 January 2018, the Government adopted measures against Venezuela and issued an ordinance to that effect. The coercive measures include the freezing of assets and economic resources. Seven natural persons are currently listed in the annex to the ordinance. They are alleged to have disregarded principles of democracy or the rule of law and to have violated human rights.

1.3.4. Ordinance of 10 October 2017 on Measures against Mali (LGBl. 2017 No. 278)

On 10 October 2017, the Government adopted measures against Mali and issued an ordinance to that effect. The coercive measures include the freezing of assets and economic resources. The annex corresponds to the list of natural persons, undertakings, and organisations designated by the United Nations Security Council or by the competent Security Council committee.

2. Questions of practice

2.1. Consequences of failure to submit a suspicious activity report

Failure to submit a suspicious activity report is punishable under Article 30(1) SPG. According to (settled) case law in Switzerland, money laundering can also be committed by omission. The FIU's view is that also in Liechtenstein, failure to submit a suspicious activity report can substantiate the accusation of money laundering in terms of mens rea.

As in previous years, the trend towards belated submission of suspicious activity reports continued in the reporting year. According to Article 17(1) SPG, a suspicious ac-

tivity report must be submitted immediately. As explained above, any violation of this obligation is punishable.

2.2. Consequences of a request for information by the FIU under Article 19a SPG

Initially, there were still differences of opinion with regard to the consequences for the person subject to due diligence of a request by the Financial Intelligence Unit (FIU) under Article 19a SPG. While some persons subject to due diligence systematically responded to such a request for information by submitting a suspicious activity report, others took the view that no suspicious activity report had to be submitted, given that the relevant information had already been transmitted to the FIU as part of the response to the request for information.

The FIU's view is that the receipt of a request for information should be seen as an indicator of money laundering, a predicate offence to money laundering, organised crime, or terrorist financing. This triggers the requirement to carry out investigations within the meaning of the Due Diligence Act. If the investigations do not produce a plausible result (and if the result can be sufficiently documented), a suspicious activity report must be submitted. In any event, a response to the questions posed by means of a request for information does not constitute a suspicious activity report, given that the latter must contain an immediate and comprehensive explanation of the suspicious fact pattern and is not limited to answering the questions posed.

2.3. Transitory transactions

Annex 3 of the Due Diligence Ordinance (SPV) lists non-exhaustive indicators of money laundering, predicate offences to money laundering, organised crime, and terrorist financing in order to support persons subject to due diligence in their monitoring of business relationships. Transitory accounts and transactions are listed as the first indicator. Experience has shown that transitory transactions serve to conceal traces of transactions, with the goal of making it impossible or at least considerably more difficult to trace the origin of assets. An analysis of a large number of suspicious activity reports received by the FIU justifies the prominent placement of transitory accounts and transactions in the list of indicators. Only in very few cases, however, did a transitory transaction constitute the main trigger of the suspicion. Transitory transactions are often identified as such only as part of the FIU's analysis, and other internal bank accounts that were not initially the subject of the suspicious activity report often also have to be included in the analysis. In many cases, it has turned out that a veritable network of accounts for shell companies exists within the same bank, characterised by a high frequency of "internal" transactions without making economic sense. As such, there often would have been sufficient reason to carry out special investigations of the specific business conduct even before the actual trigger of the suspicious activity report – often a hit in the commercial database. This would have enabled effective steps against possible money laundering activities to be taken earlier – thanks to the institution's own compliance actions – and would have sent a clear signal that the institution would not allow itself to be abused for such activities.

2.4. Fictitious contracts

To validate plausibility, contracts are often presented to the persons subject to due diligence. These include the following contract types as "justifications" for the transactions:

- loan agreements, often without an end date, interest-free and unsigned, or with conditions that a prudent business person would never agree to;
- consulting agreements, often with a mismatch between performance and consideration, or with incomprehensible content or senseless provisions on VAT and other modalities;
- "liquidity providing agreements" without identifiable economic purpose

In the cases examined, further indicators as set out in the annex to the Due Diligence Ordinance regularly came to light. As a basis for the payments made, the contracts presented often had no connection with the business purpose documented in the due diligence file, or the deposited assets exceeded the planned purpose many times over without the client advisors – i.e. the first line of defence – having brought this to the attention of internal compliance.

Conspicuous transactions without a recognisable legitimate economic purpose – for example supported by implausible and incomplete contracts – must be investigated. Such transactions are subject to the obligation to submit a suspicious activity report if the suspicion cannot be dispelled.

2.5. Enforcement of international sanctions

These ordinance provisions based on the ISG regularly provide for account freezes as well as prohibitions on payments to persons targeted by the sanctions. Generally speaking, the latter obligation is less known. The obligation to freeze assets is easier to administer than the prohibition on payments to sanctioned persons. In future, ISG audits will therefore have to pay closer attention to monitoring of this measure.

The FIU also points out that under the sanctions ordinances enacted on the basis of the ISG, the obligation to report immediately applies to everyone who either holds or manages assets or knows of economic resources that are likely to be subject to the prohibition. The Government thus requires that when a person is listed in a sanctions ordinance, a report must be made immediately to the FIU in accordance with the ordinance in question. A suspicious activity report under the SPG does not replace this separate reporting obligation.

It should also be noted that the freezing of assets and economic resources ordered under a sanctions ordinance is not affected by any court ruling to lift the freezing of assets as part of criminal or mutual legal assistance proceedings. Only the Government has the power on an exceptional basis to approve payments from assets frozen under the ISG, transfers of frozen assets, and the release of frozen economic resources.

3. International cooperation

3.1. 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. 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 organisations.

3.2. Egmont Group

The FIU has been a member of the Egmont Group of Financial Intelligence Units for 17 years. This group is the worldwide gathering of national financial intelligence units, with a membership of 155 as of 31 December 2017. 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, sufficient grounds for suspicion, complete description of the case) as well as the conditions set out in Article 7(2) FIUG, 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 national prosecution authorities only with the express consent of the FIU. If the information should turn out to be useful and necessary evidence for the investigating prosecution authorities in the context of initiated criminal proceedings, those prosecution 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 the bilateral level, the focus of the FIU has been on cooperation in specific cases. To further strengthen this cooperation, 26 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.

ECOFEL

At the Anti-Corruption Summit in London in May 2016, then-Prime Minister Cameron announced that the UK would make a substantial financial contribution to establish an Egmont Group Centre of FIU Excellence and Leadership (ECOFEL). The Director of the Liechtenstein FIU was appointed project manager for this task. Under his leadership, a project team of more than 30 experts subsequently prepared the formation and development of ECOFEL. At the beginning of 2018, a contract with the UK Department for International Development (DFID) with a funding volume of more than CHF 4 million was signed. ECOFEL became operational in March 2018: for its work in this regard, the Liechtenstein FIU received another accolade from the Egmont Group.

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 jurisdictions, two international organisations (the European Commission and the Gulf Cooperation Council), and the FATF-Style Regional Bodies such as MONEYVAL. Thanks to Liechtenstein's membership in MONEYVAL, Liechtenstein is 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 (ICRG[1] process). If, on the basis of the results in the country assessment, a country is placed on the "grey list", it is accompanied by the ICRG working group until all strategic deficits have been eliminated. If a country is unwilling to reach an agreement with the FATF, the FATF calls on the member states (and all other states) to take countermeasures ("black list"). There is currently such a call for countermeasures with regard to North Korea. A number of other countries are on the "grey list";[2] Serbia is currently the only European country. The Director of the Liechtenstein FIU is the co-chair of the ICRG

[1] International Co-operation Review Group

[2] Ethiopia, Iraq, Serbia, Sri Lanka, Syria, Trinidad and Tobago, Tunisia, Vanuatu, and Yemen

sub-working group responsible for Europe and Eurasia. 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.

3.3. 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.

In recent years, MONEYVAL has mainly dealt with the implementation of the 5th round of country assessments, which is based on the FATF standard in force since 2012. In this round, reports have already been published for 7 MONEYVAL jurisdictions.[3]

3.4. 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 Anti-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.

Following the increase in terrorist attacks in Europe, the Commission and the Member States decided to rapidly prepare a 5th EU Anti-Money Laundering Directive, which includes more measures to combat terrorist financing (in particular the use of prepaid cards) and defines new rules for the implementation of transparency registers for beneficial owners. Publication of the new directive is planned for summer 2018.

4. Case studies from practice

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 money laundering. To prevent inferences from being drawn regarding the involved persons, the cases have been anonymised and changed slightly. The fact patterns exhibit several indicators of money laundering, predicate offences to money laundering, organised crime, and terrorist financing as contained in the annex of the Due Diligence Ordinance.

4.1. Unusual residential address

In the context of the acquisition of a stake in a company active in the energy sector, a Liechtenstein financial intermediary performed a verification of notified incoming payments. When verifying the indicated address of a designated purchaser of shares, the financial intermediary noticed that it belonged to a correctional facility. It turned out that the person – albeit under a different name – was in fact currently serving a prison sentence of many years. One of the reasons for this sentence was that the person had been accused of fraud in nearly one hundred cases; even during the prison sentence, the person continued to commit fraud and even scammed prison employees out of their money with investment tips. The FIU carried out in-depth research into the company whose shares were to be acquired, as well as of the law firm involved in the payments. The suspicion was substantiated that these payments were assets derived from criminal offences committed by the person currently in prison.

In this case, the investigations carried out by the financial intermediary were of especially positive note. Because of the residential address – which was conspicuous, to say the least – further investigations were conducted, leading to submission of a suspicious activity report.

4.2. Binary options

Trading in binary options promises lucrative gains in a very short time, supposedly without risk. To put it simply, these are forward transactions in which only two scenarios can occur: either a pre-defined event occurs and the buyer receives the agreed profit, or the event does not occur and the investment is lost. Binary options speculate on falling or rising prices of indices, stocks, currency pairs, or commodities. Trading in binary options has recently fallen into disrepute: after various dubious providers appeared on the market and sometimes even pyramid schemes were identified that purported to be operating a system for trading in binary options, the FIU began receiving an increasing number of suspicious activity reports in this regard. The FIU analyses showed how strongly interlinked supposedly independently operating providers of such trading platforms actually are, and how intensively complex networks of companies – including from third countries – are used. In not all cases known to the FIU have injured parties already been identified; however, various analyses have already been forwarded to the competent Office of the Public Prosecutor for the purpose of initiating criminal proceedings.

4.3. Social engineering in football

Two well-known European football clubs agreed on the transfer sum for a promising young player. However, the

[3] Armenia, Serbia, Isle of Man, Hungary, Slovenia, Ukraine, and Andorra

selling club did not receive the agreed payment. When enquiries were made to the player's future club, it turned out that apparently, documents with false bank account information had fraudulently been given to the club. The transfer sum intended for the seller had been sent to a company domiciled in the British Virgin Islands with an account in Portugal, and from there directly to other accounts. Several accounts were also held with banks in Liechtenstein. FIU analyses confirmed the incoming payments in Liechtenstein and made it possible to further trace the flow of the money to other accounts abroad, including in Asia and Australia. Extensive fictitious documentation on trading and processing commodities had been offered as "justification" for the transactions. This case again shows how important it is to carry out a serious transaction analysis, taking into account one's own current business profile, even if the documentation was provided in detail and promptly, as was the case here. In the experience of the FIU, "invented" business transactions sooner or later give rise to irregularities that should trigger further investigations.

4.4. Sanctioned persons and their friends

A domestic bank maintained a large number of business relationships with various companies, all of which could be attributed to the same two natural persons. Within the same bank, these companies shifted amounts back and forth in the hundreds of millions. An FIU analysis showed that these two individuals had previously worked in managerial positions for a person from a third country that meanwhile had been sanctioned under an ISG ordinance, and for that person's companies involved in government contracts. Shortly before the international sanctions against this person were imposed, the person's companies were sold to the two individuals who subsequently established business relations with domestic institutions. This case explicitly shows how attempts are made to avoid the effect of sanctions by transferring assets to straw men. As a rule, it is extremely difficult to assess whether the sanctioned person continues to exercise (usually indirect) control over assets. From the FIU's perspective, it is absolutely necessary for the company management to carry out a careful examination and, in case of doubt, to exercise caution. A decision to take up such a business relationship – or to continue such a business relationship even after possible links have been identified – is always also a matter of business policy entailing considerable reputation risks.

4.5. Additional income

A Liechtenstein person subject to due diligence noted that the CEO of an Asian business group in the real estate sector wanted to pay himself additional income at the expense of the corporate group he headed. For this purpose, the CEO set up a shell company whose purpose was to use the group's lobbying efforts to broker contracts of various providers, including government contracts. It turned out that the CEO was personally responsible for the lobbying efforts. He invoiced the corporate group for this and demanded 1% of the contract volume. In light of this, the Liechtenstein person subject to due diligence requested confirmation from the relevant committee of the corporate group, as he believed this payment to be separate remuneration for members of the group's governing bodies. Such confirmation was not provided. Instead, the beneficial owner of the shell company demanded that the assets be withdrawn immediately. The person subject to due diligence immediately submitted a suspicious activity report to the FIU.

5. Outlook

5.1. National Risk Analysis

In March 2016, Liechtenstein began the process of conducting a National Risk Analysis. This first comprehensive National Risk Analysis forms the basis for effective implementation of the FATF standard. The goal is to identify, analyse, and evaluate the risks affecting the financial centre, its actors, and the products and services offered. Based on this, conclusions are to be developed for possible measures to minimise and contain these risks. Once again, the risk-based approach is the guiding principle. This means that where greater risks are identified, stronger measures or more resources (e.g. in regulation and supervision) are called for. Conversely, this approach also allows fewer measures and resources to be employed for less risky business areas. The work on this National Risk Analysis is expected to be completed in spring 2018.

5.2. Electronic reporting system goAML

During the reporting period, the FIU prepared the operation of a new software solution with which suspicious activity reports under the SPG and reports under the ISG can be submitted digitally. This makes the process of submitting reports more efficient and secure. On 1 January 2018, the FIU launched its goAML software for internal use. The experience so far has been positive.

The web portal has been online since 1 May 2018 and can be used by persons subject to due diligence as well as public authorities. In addition to a news feature, the input mask for submitting suspicious activity reports and an operating manual have been available since then. Alongside suspicious activity reports, the web portal also permits the submission of other information, including responses to requests. For that reason, goAML uses the general term "report" to refer to all forms of communication.

Further information can be found on our website (www.fiu.li) and in the goAML manual available there.

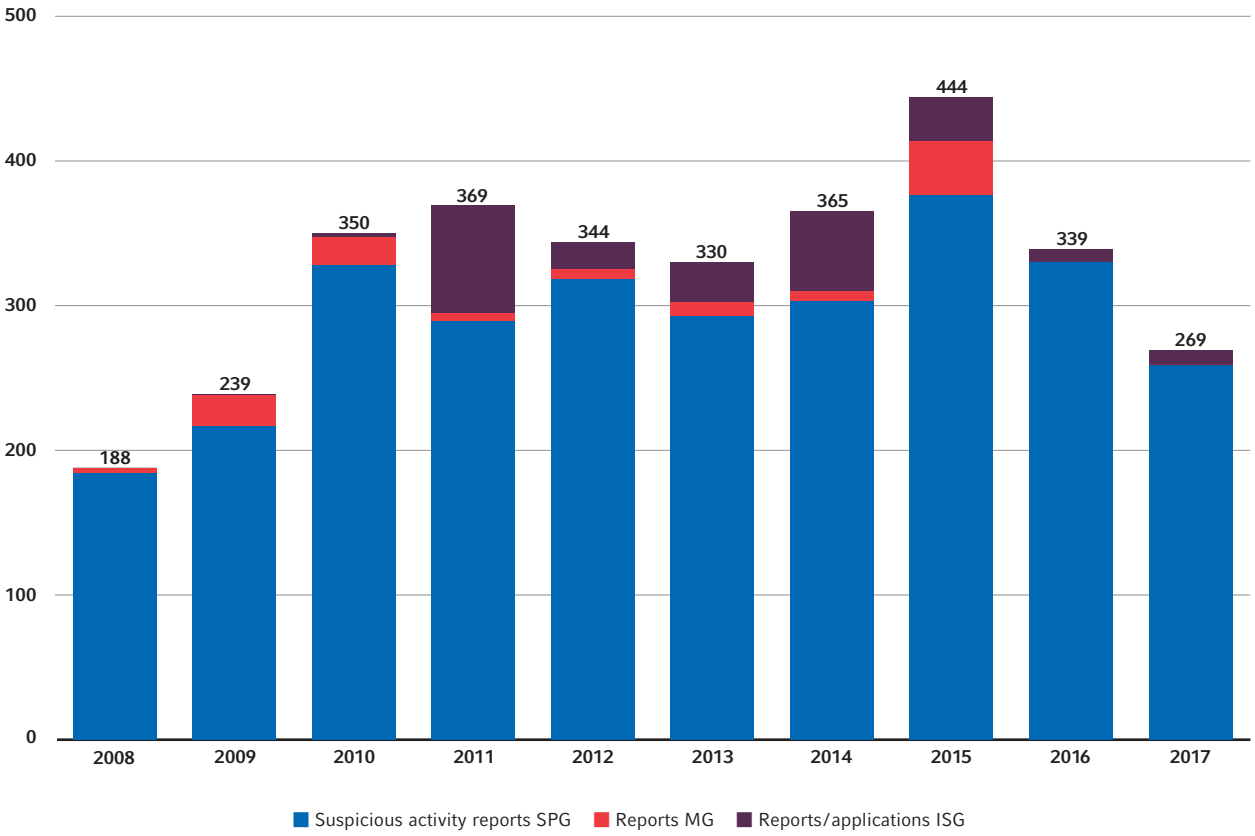
Starting 1 January 2019, the plan is for suspicious activity reports to be submitted uniformly using the goAML portal.

III. Statistics

1. Overall view

In 2016, the FIU received a total of 330 suspicious activity reports (SARs) under the SPG, a decrease of 12% compared with 2015. In 2017, a total of 269 suspicious activity reports under the SPG as well as reports and applications under the ISG were received by the FIU. The 259 suspicious activity reports under the SPG received in 2017 represent a further decrease of approximately 22%.

All SARs, reports, and applications for approval



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SARs SPG	184	217	328	289	318	293	303	376	330	259
Reports MG	4	21	19	6	7	9	7	38	0	0
Reports/applications ISG	0	1	3	74	19	28	55	30	9	10

2. Suspicious activity reports under the SPG

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

2.1. Evaluation by sector

The SARs pursuant to the SPG received by the FIU in the years 2013 to 2017 came from the following sectors:

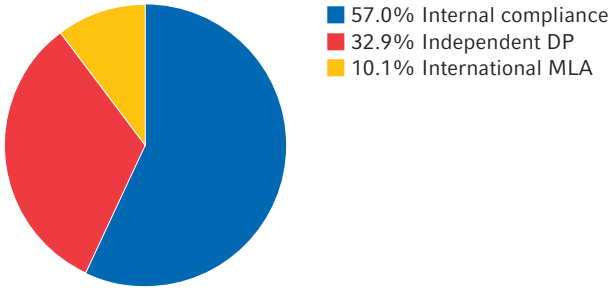
Sector	2013	2014	2015	2016	2017
Banks	185	192	245	221	**163**
Public authorities	10	7	10	14	**12**
Precious metal dealers		1	0	0	**0**
Dealers in high-value goods/auctioneers	1	1	0	0	**0**
Investment undertakings	1	0	0	0	**0**
Lawyers	7	6	7	7	**1**
Professional trustees	51	63	65	56	**48**
Asset management companies	1	4	3	0	**2**
Insurers/insurance intermediaries	16	21	30	18	**26**
Auditors/audit firms	0	1	3	0	**0**
PSPs (payment service providers)	21	7	12	10	**5**
Finance companies	0	0	0	0	**2**
Total:	293	303	376	330	**259**

2.2. Reasons for submission

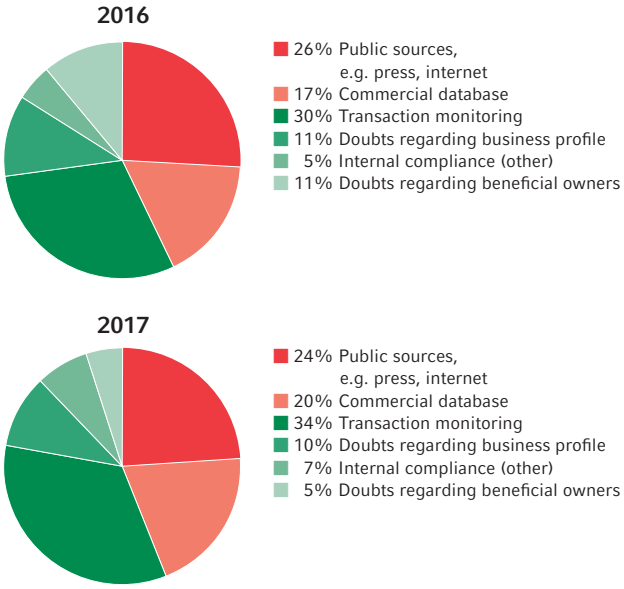
The SARs are classified according to whether they

- were submitted pursuant to an institution's own investigations 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 investigative proceedings (DP).

Reasons for submission



Breakdown of "internal compliance"



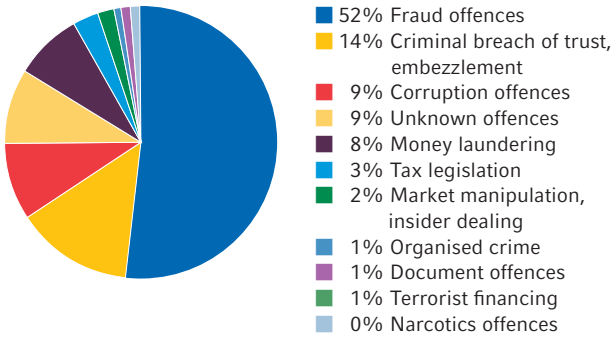
2.3. Statistics according to offence

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.

2.3.1. Predicate offences

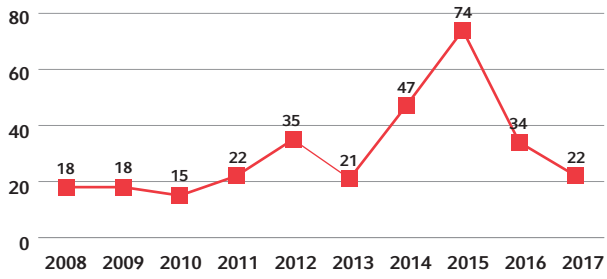
A predicate offence is the offence from which the assets originate or might originate or through which the assets have been generated. For the statistics, the predicate offences are relevant that are ascertained by the FIU's analysis of the SARs pursuant to the Due Diligence Act, even where these results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

Predicate offences



2.3.2. Corruption offences

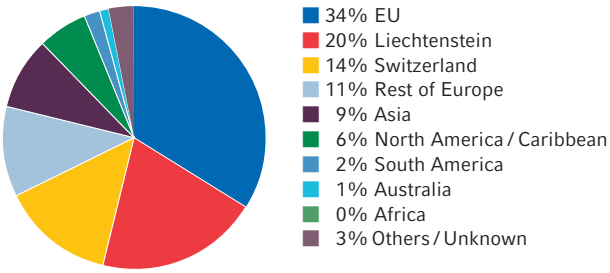
Corruption offences by year



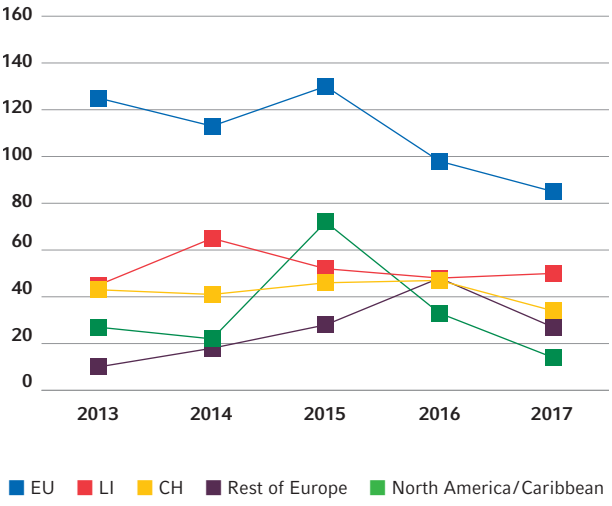
2.3.3. Nationality/domicile of contracting party

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 partys by region



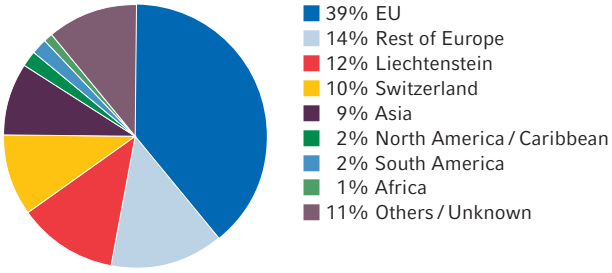
Nationalities/domiciles of contracting partys by region



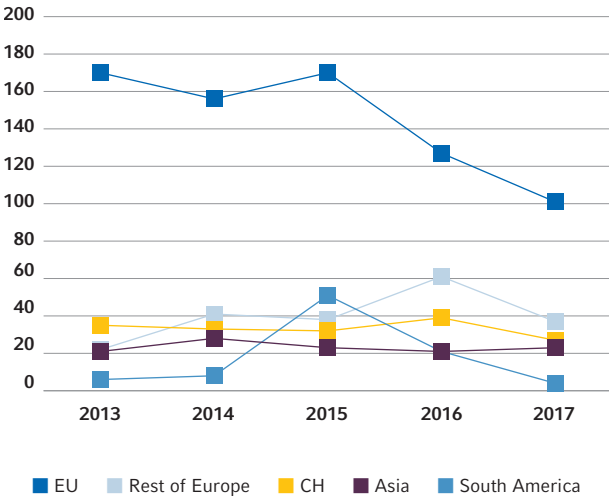
2.3.4. Nationality of beneficial owner

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

Nationalities of the beneficial owner by region



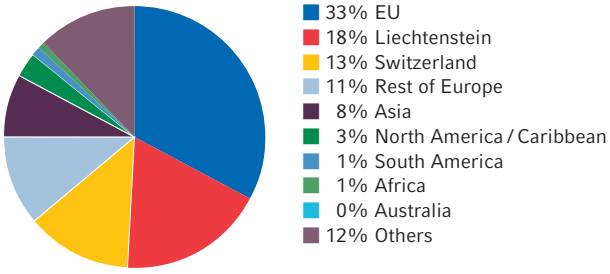
Nationalities of the beneficial owner by region



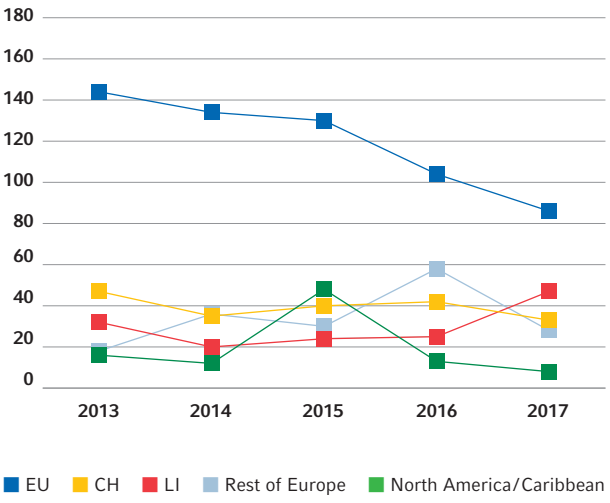
2.3.5. Place of predicate offence

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 offence was committed



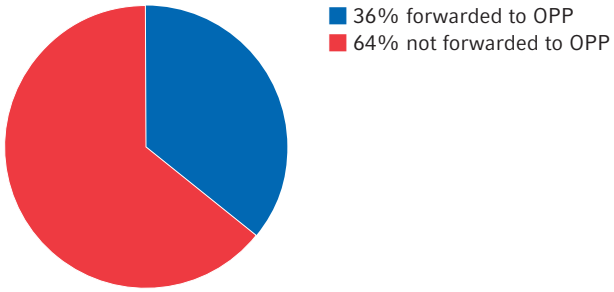
Regions in which the predicate offence was committed



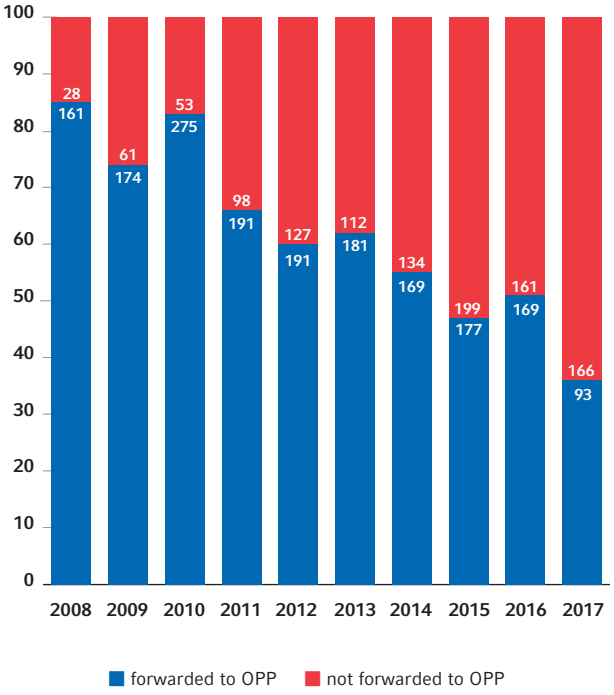
2.4. Forwarding of suspicious activity reports to the Office of the Public Prosecutor

If analysis leads to substantiation of a suspicion of money laundering, a predicate offence to money laundering, organised crime, or terrorist financing, the FIU forwards the SAR to the Office of the Public Prosecutor pursuant to Article 5(1)(b) FIUG.[4]

SARs forwarded to the Office of the Public Prosecutor

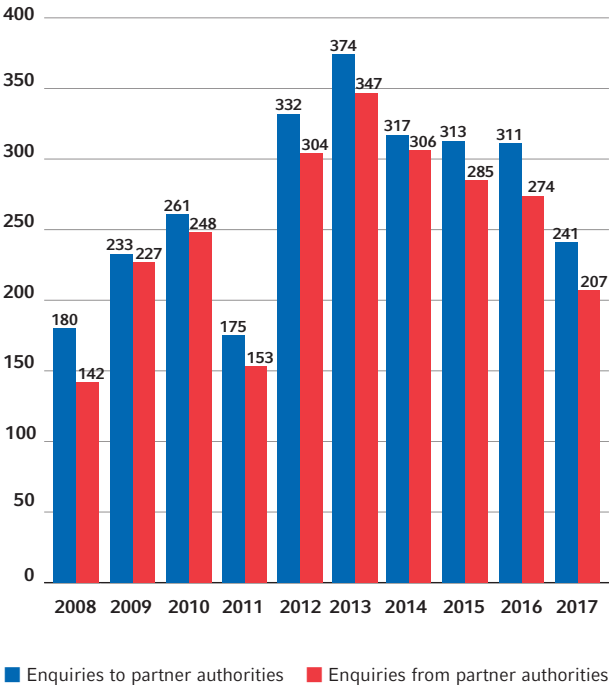


SARs forwarded to the Office of the Public Prosecutor



2.5. International cooperation

FIU information exchange

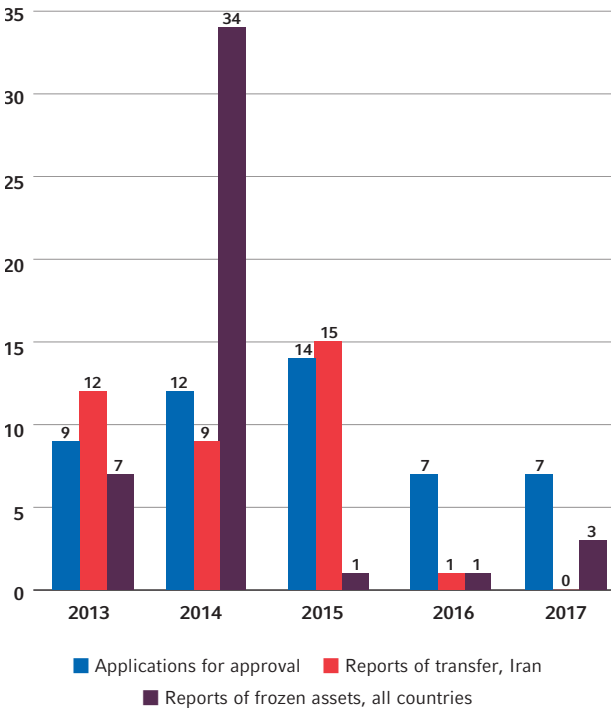


[4] Law of 14 March 2002 on the Financial Intelligence Unit (Financial Intelligence Act, FIUG; LR 952.2).

3. Approvals and reports under the ISG

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.

Reports and applications under the ISG



IV. Abbreviations

DP	*Domestic proceedings*
EEA	*European Economic Area; Liechtenstein became a full member of the EEA on 1 May 1995*
EU	*European Union*
FATF	*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 37 members, including 35 jurisdictions and two international organisations (the European Commission and the Gulf Cooperation Council).*
FIU	*Financial Intelligence Unit (of the Principality of Liechtenstein)*
FIUG	*Liechtenstein Law of 14 March 2002 on the Financial Intelligence Unit*
FMA	*Financial Market Authority Liechtenstein*
ICRG	*International Co-operation Review Group (a working group of the FATF)*
IMF	*International Monetary Fund*
ISG	*Liechtenstein Law of 10 December 2008 on the Enforcement of International Sanctions (International Sanctions Act)*
MG	*Liechtenstein Law of 24 November 2006 against Market Abuse in the Trading of Financial Instruments (Market Abuse Act)*
MLA	*Mutual legal assistance*
MONEYVAL	*Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism*
OECD	*Organisation for Economic Co-operation and Development*
SPG	*Liechtenstein Law of 11 December 2008 on Professional Due Diligence for the Prevention of Money Laundering, Organised Crime and Financing of Terrorism (Due Diligence Act)*
StPO	*Liechtenstein Code of Criminal Procedure of 18 October 1988*
UNODC	*United Nations Office on Drugs and Crime*