

STABSSTELLE FINANCIAL INTELLIGENCE UNIT  
DES FÜRSTENTUMS LIECHTENSTEIN

# ANNUAL REPORT 2019

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of the Principality of Liechtenstein

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People do not stumble over mountains,  
but over molehills.

Confucius

# I. Foreword

5 | Dear Readers  
Dear Colleagues

Financial intelligence is information used for purposes of strengthening supervision, investigating crime, or assessing risks. It is increasingly becoming a key element of national defence mechanisms against money laundering, predicate offences of money laundering, organised crime, and terrorist financing. The law requires persons subject to due diligence and public authorities to report to the FIU any occurrences that they consider suspicious. This does not mean filing charges against one's own clients. On the contrary: It means contributing to a clean financial centre, which demands the highest standards of itself and its clients.

This commitment requires everyone involved to deal seriously, in depth, and professionally with questions that do not always make one's own position easy. Submitting a report of suspicion does not absolve the person subject to due diligence of all responsibility. Once a suspicion arises, or once the required report of suspicion is submitted, this does not shift responsibility for one's own actions to the public authorities, but rather continues to demand critical examination of the suspicious facts. This inevitably leads to the question of whether a person subject to due diligence wants to – or is able to – continue to look after the business relationship concerned, or whether it's better to bring it to an end when the plausibility of the occurrences cannot be substantiated.

The insights from the reports of suspicion and other information allow the FIU to make the information available to other authorities in the form of financial intelligence, for the purpose of combating abuse and crime effectively. Insights on trends and methods, *modi operandi*, and experiences gained from analyses also serve to prepare a National Risk Assessment. This contributes to the development of a strategic approach to the fight against money laundering.

Together, persons subject to due diligence and authorities form the basis, the backbone, and an inseparable

unit in the fight against criminals who specialise in always finding the weakest link in the law enforcement chain.

The year 2019 manifested the continuing trend towards a growing number of reports of suspicion. Banks and the fiduciary sector were responsible in particular for this increase by about one third over the previous year. The number of reports of suspicion alone, however, tells us nothing about the quality of the financial intelligence obtained. While an early report can provide useful financial intelligence – giving both the persons subject to due diligence and the authorities an opportunity to act – a reactive report of suspicion often puts the person subject to due diligence in a position of *de facto* inability to act and forces the authorities into the role of an observer. Our call for more reports of suspicion should therefore not be misunderstood. We want to establish a more efficient system of prevention in which qualitatively valuable financial intelligence is an essential component. Such a system is founded on the expertise of the persons subject to due diligence.

The FIU interprets the findings of this report as indicating an increasingly widespread understanding of the importance of the financial intelligence system. The FIU will increasingly seek the close cooperation of everyone involved, so as to establish a stable defence mechanism and at the same time to give decision-makers a "bird's eye view" enabling them to take the next steps.

It gives me great satisfaction to continue the work of my predecessor Daniel Thelesklaf, with a focus on stability and consistency in fulfilling the FIU's mandate. I would like to thank all of you for the success of this undertaking, and I would especially like to thank my team, which every day fights tirelessly and with deep conviction against money laundering, predicate offences of money laundering, organised crime, and terrorist financing.

Vaduz, July 2020  
Michael Schöb

## II. Activities of the FIU

6 | The Financial Intelligence Unit (FIU) is the central authority for obtaining and analysing information necessary to detect money laundering, predicate offences of money laundering, organised crime, and terrorist financing. Its core responsibilities are to receive and analyse reports of suspicion – suspicious activity reports (SARs) and suspicious transaction reports (STRs) – from persons subject to due diligence and to implement the coercive measures set out in international sanctions. The focus of the FIU's work in 2019 was on the revised National Risk Assessment, preparing for the next MONEYVAL country assessment, and preparing for entry into force of the Token and TT Service Provider Act (TVTG). Another priority was participating in international bodies and the activities of the interagency working group PROTEGE (Working Group on Combating Money Laundering, Terrorist Financing, and Proliferation). PROTEGE serves to coordinate work relating to the further development of Liechtenstein's defence mechanism against money laundering, terrorist financing, and organised crime.

In 2019, the total number of reports to the FIU reached a new record high. A total of 742 reports were submitted. While the number of reports under the International Sanctions Act (ISG) continued to decline, the number of reports under the Due Diligence Act (SPG) increased significantly in 2019. The focus continues to be on fact patterns relating to fraud and corruption offences. The ratio between reports of suspicion and reports to the Office of the Public Prosecutor decreased significantly in the year under review, although it should be noted that the absolute number of reports submitted to the Office of the Public Prosecutor remained constant.

This relative decrease has several causes. First and most relevant is the shift undertaken in 2016 from a system of forwarding individual reports of suspicion to a consolidated reporting system. Under the new reporting system, several reports of suspicion are now combined and brought to the attention of the addressees in a single report, instead of forwarding each report of suspicion individually. This shift, in combination with a growing number of reports of suspicion, means that the individual reports can now be presented on a broader basis, thus significantly increasing their information content. In addition, the growing expertise and broader powers of the FIU staff have led to a steady increase in the quality of the FIU's central filtering function as a link between the persons subject to due diligence and the prosecution and supervisory authorities.

### 1. Receipt and evaluation of reports of suspicion

In 2019, the FIU received a total of 742 reports of suspicion (SARs/STRs) pursuant to the Due Diligence Act (SPG). This is a significant increase over the previous year, a development expected to continue.

Of these reports of suspicion under the SPG, 540 (73%) came from banks, 132 (18%) from the fiduciary sector, 27 (4%) from the insurance sector, 13 (2%) from other authorities (mainly the FMA), and 34 (5%) from other persons and entities subject to the reporting obligation.

Most reports of suspicion are still triggered by external factors (e.g. requests for mutual legal assistance, criminal proceedings, media reports, or hits in commercial databases).

In 2019, the FIU prepared 128 analysis reports for prosecution or supervisory authorities, mainly involving fact patterns where the suspicion of money laundering had been substantiated.

Once again, the types of offences have predominantly been economic offences (especially fraud, criminal breach of trust, bankruptcy offences). The increase in corruption offences in recent years was again confirmed during the year under review.

As in previous years, most reports of suspicion concerned persons abroad. 58% of the persons who were the subject of reports of suspicion came from other European countries and 14% from outside Europe. In 17% of the reports, the nationality was unknown.

### 2. Combating terrorist financing

Combating terrorist financing is an integral component of the FIU's activities. International cooperation, responding to enquiries, and carrying out clarifications for domestic and foreign authorities are of central importance.

### 3. Enforcing international sanctions

The number of reports under the Law on the Enforcement of International Sanctions (a total of 4 reports and applications) fell significantly in the year under review. It has been observed that the timing of reports under the ISG is always directly related to the enactment of new sanctions.

## 7 | 4. International cooperation

In cases with an international nexus, the FIU engages in targeted cooperation with other FIUs, requesting them to provide information or documents necessary for the analysis of a case. The FIU grants corresponding requests from abroad if the requirements set out in the FIU Act (FIUG) are met. The number of requests in this context decreased slightly from the previous year. Exchange of information is governed by national legislation and the Principles of Information Exchange established by the Egmont Group of Financial Intelligence Units. International cooperation is not limited to case-specific exchange of information, however, but also includes a general exchange of experience and participation in international working groups and organisations such as MONEYVAL, the FATF, the International Monetary Fund (IMF), the World Bank, and the United Nations.

### 4.1. Egmont Group

The Egmont Group is the worldwide association of 159 national financial intelligence units (as of December 2018). The main work of the Egmont Group consists in particular in setting out the rules governing the exchange of information among the national financial intelligence units and ensuring that such exchange takes place in practice. The FIU has been a member of the Egmont Group since June 2001. The Director of the FIU represented Europe Region II during the year under review and served in that capacity on the Egmont Committee, the group's consultation and coordination mechanism. Two FIU staff members were represented in two Egmont Group project working groups on large-scale transnational money laundering.

### 4.2. 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). Liechtenstein will be reviewed in June 2021 for the fifth time by MONEYVAL in regard to compliance with these standards.

### 4.3. FATF

The FATF is an international organisation whose mandate is to analyse the methods of money laundering and terrorist financing and to develop measures to combat them. It is the global standard-setter in this field and currently consists of 37 members. The current minimum standard ("40 Recommendations") was revised in 2012. Since 2015, all members have been reviewed for compliance with and effective application of this standard.

Thanks to Liechtenstein's membership in MONEYVAL, the country is also indirectly represented in the FATF.

## 5. goAML IT solution

In addition to the basic IT infrastructure provided by the National Administration, the FIU has specially designed software and database systems at its disposal for its operational and strategic analysis. Work to replace the existing IT system was completed in 2018. This resulted in substantial additional efforts, which the FIU was, however, able to manage with its existing resources. We would like to take this opportunity to thank all the persons subject to due diligence involved in the implementation of the new system for their participation and their contribution to the successful launch at the beginning of 2019. With the new system, goAML, the FIU will be able to work much more efficiently. The statistics prepared by the FIU will also be adapted to the specifications of the new system.

In connection with the implementation of the new software solution goAML, access to the registration page has been linked to the FIU website, [www.fiu.li](http://www.fiu.li). Documents are available there for registration and for setting up an interface, as well as a user manual for persons subject to due diligence and for the administrative offices and authorities that wish to communicate with the FIU using this secure channel.

The advantages of goAML for persons subject to due diligence consist primarily in electronic data transmission in a secure environment instead of the previous paper solution and in the possibility of transmitting information using an XML interface. The new database makes it easier for the FIU to reconcile the information it receives and to focus on its mandate to analyse the information necessary to detect money laundering, predicate offences of money laundering, organised crime, and terrorist financing.

# III. Case studies / Current practice

## 8 | 1. Introduction

The fact patterns described below come from the practice of the FIU and concern the current reporting period. The case studies are selected with a view to topics identified as relevant, with the goal of illuminating specific questions and developments relating to reporting, as well as trends identified by the FIU with regard to money laundering and predicate offences of money laundering.

These insights and developments also serve as a basis for the FIU to further develop its guidance on the submission of SARs/STRs [[https://www.llv.li/files/sfiu/fiu-wegleitung\\_deutsch.pdf](https://www.llv.li/files/sfiu/fiu-wegleitung_deutsch.pdf)]. They also form the basis for lectures and training sessions at which representatives of the FIU appear as speakers. The goal is to ensure that persons subject to due diligence and in particular their compliance officers receive assistance in their daily work that is as close to practice as possible.

## 2. Use of service companies and purchase of physical precious metals

### Indicators

- Clients from risk countries, mixing of private and business financial interests involving various family members and relatives
- Use of service companies and cash flows to precious metal dealers in Liechtenstein or abroad

A Liechtenstein bank submitted a report of suspicion based on a match found in commercial databases as part of ongoing monitoring regarding a beneficial owner of an entity that had a business relationship with the bank. That beneficial owner was accused in foreign criminal proceedings of having misappropriated funds in the years 2013/2014 by means of fictitious loans at the bank's expense. There had been reports on those allegations since at least 2015. Research by the FIU revealed that information on the allegations would have been available in public sources since at least 2015.

The alleged perpetrator was temporarily detained in his country of residence in 2018 at the initiative of the competent investigating authorities in the course of the investigation conducted against him. At least two Liechtenstein bank accounts are attributable to the accused and his mother. At the end of 2013, i.e. in the time period relevant to the offence, approximately CHF 750 000 was transferred to these accounts, some of it directly and some of it through the mediation of service companies. The originators, but also the recipients, of these transfers were companies named in the foreign criminal proceedings.

The business relationship with the domestic bank was referred to by a trust company domiciled in Liechtenstein. In response to a request for information from the FIU, the trust company stated that the investigation abroad had credibly been clarified to be politically motivated. Additional entities in Liechtenstein and abroad were identified that were under the control of the person. Accounts of the trust company served to receive the money from the client and transfer it to the accounts of the entities under the control of the persons at the Liechtenstein banks.

The nature of the money flows raised major questions from the AML perspective. Particularly striking were the pass-through transactions, the use of service companies to conceal the origin/use of assets, and the transformation of money into precious metals (see below). In this specific case, money was first sent from a company domiciled in the UK with an account in the Baltic States to accounts held in Liechtenstein by the mother of the alleged perpetrator. This money was then transferred on the same day via an internal bank transfer to a company domiciled in the BVI and from there again via another internal bank transfer to a Liechtenstein company of which the mother of the alleged perpetrator was in turn the beneficial owner. The following day, the money was transferred to a company with accounts in the Baltic States.

A second payment flow also occurred from the Baltic States to a service company of the Liechtenstein trust company with an account at the same domestic bank as above. From there, part of the amount was transferred via internal bank transfer to another company, from where it then proceeded in the same way as the payment flow described above. The other part of the money that ended up on the account of the service company was transferred to the trust company itself, and from there to a Liechtenstein foundation attributable to the alleged perpetrator with an account at another domestic bank. From there, it found its way to an account at a different Liechtenstein bank belonging to a domestic company engaged in precious metals trading. The purpose of that transfer was likely to purchase physical precious metals for the perpetrator.

After comprehensive and intensive analyses, the FIU decided to refer the fact pattern to the Office of the Public Prosecutor for further action. The reasons included the finding that criminal proceedings were still being conducted abroad. Apart from the fact pattern involving the alleged offences committed by the client, the analysis also focused on the behaviour of the domestic persons subject to due diligence. The proceedings are still pending.



## 9 | 3. One-stop shop

### Indicators

- Clients from risk countries, mixing of private and business financial interests involving various family members and relatives
- Complex structures, consisting of various levels and involving various foreign company forms with registered offices in jurisdictions considered to be corporate havens

A bank submitted a report of suspicion in connection with a client relationship which, after initial discussions, was not established. That procedure is in line with the FIU guidance on submitting reports of suspicion. According to that guidance, the reporting obligation exists even if the business relationship has not yet been established or the transaction has not yet been carried out (see also the FIU guidance on the submission of reports of suspicion).

The reason for the submission of the report of suspicion was that the beneficial owner of the entity with which the business relationship would have been entered into was the wife of a man who, together with his brother, was the subject of various proceedings. The latter would also have been responsible for asset management of the tens of millions of francs to be contributed. A Liechtenstein trust company was the intermediary for the relationship. Information to that effect was obtained from public sources and commercial databases. The allegations against the brothers are multi-layered, including allegations relating to the bankruptcy of a bank.

About one month later, a Liechtenstein trust company submitted a report of suspicion regarding one of its business relationships, of which the brother of the person above had apparently once been a beneficial owner. Reports on that person could now be found in public sources, which indicated that the origin of the assets was suspicious.

The FIU then launched an analysis and began collecting and evaluating information from public and non-public sources.

Another three months later, the FIU found out from a report submitted by a Liechtenstein life insurance company that the brother's wife was the beneficial owner of a company domiciled in the Seychelles. That company, in turn, was the holder of a life insurance policy, with a premium amounting to nearly USD 30 million.

In the same month, a third trust company notified the FIU that it had a business relationship with a domestic entity whose founder was the brother's wife. The entity's accounts were at a domestic bank. At that time, the FIU had not yet received a report of suspicion from that bank, so that the bank was requested to provide information. The

bank then responded with its own report of suspicion. That report revealed other entities based in the BVI as well as accounts held by one of the brothers at the bank.

The FIU then prepared an initial analysis report based on the reports of suspicion and information gathered. At the same time, it became apparent that administration of the structures – comprising several domestic and foreign entities and involving various persons subject to due diligence – had been transferred to other previously uninvolved professional trustees. The FIU also analysed this aspect and notified the Office of the Public Prosecutor of reports of suspicion that had not been submitted or submitted only belatedly.

One month later, one of the newly mandated professional trustees submitted a report of suspicion in the same matter.

Further analysis on the basis of the information gathered ultimately led the FIU to transmit a total of six analysis reports to the Office of the Public Prosecutor. The Office of the Public Prosecutor initiated proceedings as part of which the Court of Justice blocked several bank accounts and the life insurance policy. The proceedings are still pending.

## 4. AEOI violations

### Indicators

- Change of beneficial owner shortly before entry into effect of provisions relevant to taxation
- Change in transaction behaviour without plausible explanation

A Liechtenstein bank submitted a report of suspicion on a business relationship it had opened in 2003. The relationship had been brought in by a domestic trust company that is still involved in the relationship today. While at the initiation of the business relationship, a person from a Central European country was identified as the beneficial owner, the general manager of the trust company was newly disclosed as the beneficial owner at the end of 2015.

An analysis of the transactions on the business relationship then showed that the account of the entity had de facto been used as a transitory account from the beginning.

It was also discovered that the change in beneficial owner was accompanied by a change in transaction behaviour. Although transactions with the same persons took place both before and after the change – which was an argument against an actual change in beneficial owner – a conspicuously high number of cash withdrawals had been made since the change, which had hardly

10 | ever occurred before. The time of the change of beneficial owner also coincided with the entry into effect of automatic exchange of information with the country of residence of the former beneficial owner.

The FIU then reported to the Office of the Public Prosecutor on suspicion of money laundering, to the Fiscal Administration on suspicion of tax fraud, and to the Financial Market Authority for the purpose of exercising due diligence supervision on suspicion of intentional false identification of a beneficial owner by a person subject to due diligence. The proceedings are still pending.

## 5. Money laundering through massive over-invoicing

### Indicators

- Bank-internal transfers between entities, with a very short period of time on each account
- Signs that assets are being shifted back to the countries from which they originated

In 2019, the FIU dealt with a case of massive over-invoicing. Through mutual legal assistance, it was discovered that the purchase price of two oil drilling platforms was over-invoiced by probably 100%. The buyer was a national government, and it had to be clarified whether its representative had misappropriated government funds during the purchase price negotiations and whether funds had been laundered with the involvement of various domestic and foreign financial intermediaries.

During its analysis, the FIU came across information that had not yet been known in the relevant criminal proceedings. The FIU reported to the Office of the Public Prosecutor accordingly.

It was established that the identified scheme involved ten natural persons and seven entities at a single Liechtenstein bank alone. The inflow of money to Liechtenstein came primarily from Cyprus and Latvia. The money was subsequently transferred further to Cyprus, Latvia, Austria, and the Netherlands.

These findings made a significant contribution to gaining an overview of this very international and extremely complex fact pattern, which so far involves more than 200 known entities.

Overall, the case confirmed the FIU's long-standing finding that great caution should be exercised in particular where bank-internal transfers are made between entities with only a short time on each account, as well as in regard to the corresponding withdrawals. Instead of focusing on justifications for individual transactions, it is im-

portant to examine the overall picture. A pattern often seen is that, after bank-internal transfers, much of the money is transferred back to the geographic region where the money originated. This bank-internal layering creates an additional level of concealment intended to make it more difficult for law enforcement authorities to trace the cash flows. Combining these bank-internal laundromats with cross-border transactions and changing entities and banks can be extremely efficient, even though that approach is likely to consume a lot of money, in light of the fees charged by trust and company service providers for the formation of administration of companies and the often extremely high transaction fees charged by banks. But where the assets have been illegally acquired, it is not astonishing that perpetrators are willing to spend large amounts for that purpose. The more is known about such laundromats, the more one has to ask oneself to what extent the subjective elements of the offence of money laundering are fulfilled on the part of the financial intermediaries involved. This is one of the reasons why fact patterns like these are consistently brought to the attention of the Office of the Public Prosecutor.

## 6. Non-disclosure of a death

### Indicators

- Changes in consumption patterns

Ms F died abroad in July 2019. Before that, she had lived with her daughter in Liechtenstein, separated from her husband. Ms F received various benefits such as retirement pensions, helplessness allowances, supplementary benefits, and care and nursing allowances. The latter were temporarily suspended at the end of October because Ms F had not joined a pension scheme. Because of this, the daughter of the deceased contacted the competent authority and evidently initiated her mother's affiliation with a pension scheme, concealing the fact that her mother had already died. The husband appeared before the authorities in November 2019 and reported that he had learned that his wife had died. This triggered extensive clarifications and proceedings with the relevant authorities. It was discovered that various benefits had been paid for several months after the death of Ms F. The subsequent transaction analyses showed that since the death of Ms F, a number of cash withdrawals and withdrawals for the purpose of goods had been made. The fact pattern was referred to the Office of the Public Prosecutor for further evaluation.

## 11 | 7. Citizenship by investment

### Indicators

- Business models with the aim of obtaining citizenship
- Interested persons from risk countries
- Non-transparent financing solution

In connection with analyses carried out, the FIU discovered that a domestic bank had concluded a cooperation agreement with a company in a European country involving business relationships for the purpose of obtaining citizenship in that European country. Such programmes are now being offered by various EU countries and are especially interesting for persons from third countries and risk countries. Accordingly, there are specialised companies that offer services in this connection. Under the agreement, the bank's responsibilities include financing the government bonds that must be acquired for that purpose and held for a certain minimum period. The bank undertook to grant the client a loan to purchase the government bonds so that the client would not have to come up with the full purchase amount. The government bonds would then be resold shortly after the purchase. According to the FIU, the confirmations issued by the bank to the issuing country deliberately give the impression that the bank client has the assets necessary for obtaining citizenship and has in fact used them for that purpose. However, neither the loan (i.e. the co-financing by the bank of more than 80% of the purchase price) nor the immediate resale of the bond (after issuing of the confirmation) is mentioned in the confirmation, thereby misleading the country offering citizenship about the actual assets of the prospective citizens.

The company which negotiated this agreement with the Liechtenstein bank is active internationally in the business of "citizenship by investment" through various entities. It arranges citizenships and residence permits for wealthy persons in various jurisdictions considered more favourable in regard to taxation, freedom of travel, compliance, and so on. This entails complex problems for persons subject to due diligence in their performance of due diligence and the risk classification of the business relationship in question. The business model of these countries and the corresponding services are also coming under increasing pressure in terms of reputation. Even within the EU, various countries provide this option of acquiring citizenship and/or residence permits ("golden visa", "golden passport", etc.). In January 2019, the EU Commission published a highly critical report, citing the possibilities of avoiding prosecution, the threat of infiltration by criminal organisations, and the risks of money laundering and tax offences.

The FIU brought this matter to the attention of the Financial Market Authority. The FIU will continue to bring similar activities to the attention of the competent super-

visory authority, given that they are considered to be an important factor in assessing the risk profile.

## 8. Unfortunately still a daily occurrence: fraudulent emails

### Indicators

- Changes in transaction behaviour
- Payments to risk countries or at least countries that did not previously fit the business profile
- Increasing size of amounts transferred
- Indications of gambling/lotteries, medication for relatives, money for travel/visits, opening of accounts with exchanges by individuals who evidently do not have the necessary expertise for that business model

Once again in 2019, the FIU received reports of suspicion in connection with email scams that aim to persuade potential victims into transferring money. The problem is that individual victims often do not want to admit to themselves that they have been lied to and tricked. In one particularly tragic case, a domestic bank client described how this happened. The victim, who is a resident of Liechtenstein, described how an acquaintance in South Africa drew her attention to a Facebook lottery list on which she (the victim) was included. She then received the necessary contact details to claim the winning according to the Facebook lottery list. She was also requested to transfer the amount of EUR 4 250 for various fees (including transfer fees). These fees were said to be necessary to receive payment of the EUR 900 000 winnings. The client then placed the order to transfer the EUR 4 250.

In order for the Facebook lottery winnings to be credited, the victim had to open an account at a bank in another European country. She was told that the winnings had already been credited to the account at that bank. The victim then informed the Liechtenstein bank that she had placed an order to transfer the money to Liechtenstein.

The same woman then also informed the bank that she had received an email promising her USD 1 000 000 from the EuroMillions winnings of "Mr & Mrs Gareht & Catherin Bull", which were to be distributed to five individuals as part of a charity project. The victim claimed to be one of those individuals and said she would merely have to transfer the amount of EUR 1 830 to Ukraine in return for an anti-money laundering certificate and insurance so that the full amount of USD 1 000 000 could be transferred to her.

Clarifications by the bank then indicated that the victim had made several payments from her account at that bank to numerous persons, some of whom had dubious destination addresses.

- 12 | The bank tried several times to convince the victim that the promised payouts would most probably never be made, and the bank then refused execution of the victim's transfers.

According to the FIU's findings, however, the case continued to develop tragically: One year after the first bank submitted the report, another Liechtenstein bank submitted a report of suspicion regarding the same person. The reason for the change of bank may have been that the original bank had stopped executing the victim's transfers. Unfortunately, the victim was unconvinced and continued to hope for receipt of the various promised winnings, inheritances, and payouts. Specifically, the victim had now arranged for payments to Indonesia, given that she assumed to be the winner of a credit card with a balance of about CHF 1 million.

In cases like these, financial intelligence units work closely together and try to put a stop to the criminal networks by consistently exchanging the account information of recipients and thus of the potential perpetrators. Blocking and recovering assets in these cases regularly proves to be extremely difficult, however, given that the money is transferred within a very short time to countries where cooperation with the authorities is more difficult. It is also often observed that the money has long since been withdrawn in cash. Success can therefore most readily be achieved when persons subject to due diligence are able to protect their clients from such losses in the first place. Indicators may include:

- transfers to destinations that do not match the business profile and that surface suddenly and repeatedly;
- statements by clients that they are supporting acquaintances (hospital stays, medication, school fees, etc.) or that fees have to be transferred abroad for official permits/stamps, etc.

The FIU urges the utmost caution when such "opportunities" and promises arise. They are increasingly being personalised and often have a high degree of persuasive content. In the year under review, the FIU even became aware of a case in which a domestic person subject to due diligence was persuaded to transfer considerable sums of money, where the hope of receiving the promised money vanished into thin air.

## 9. Fraud with crypto mining companies

### Indicators

- Returns that are too good to be true
- Indications that the business model makes no sense (e.g. crypto mining is to take place in Switzerland because electricity and rental costs are so low there)

At the beginning of the year, a domestic bank submitted a report of suspicion regarding one of its clients who was involved in crypto mining activities through the client's company. The business profile of the client and the company was to provide third parties with the necessary computing power for the purpose of mining cryptocurrencies. In return, it was agreed that the crypto assets mined for the third parties would be taken over at an agreed fixed price. The company, which intended to provide the necessary centralised infrastructure and logistics for the computing power, expected a corresponding profit. Monitoring of the company's transactions quickly gave rise to doubts. Only an insignificant portion of the third-party assets received was transferred to the company which, according to the business profile, should have provided the necessary mining hardware. Together with the analysis of cryptocurrency trading activities carried out by the client's company, this led to the suspicion that the business model might be fraudulent.

Further analyses and clarifications then revealed that criminal proceedings were already being conducted in a foreign country against persons involved. It turned out that there was an urgent suspicion that investors in the foreign country had provided about EUR 5 million for the purported investment and that the agreed payouts had never been made. Rather, the suspicion grew that the invested money had been used to satisfy promises made to other investors and for the livelihood of the alleged perpetrators.

The fact pattern was referred to the Office of the Public Prosecutor, where proceedings are pending.

## 10. Cryptocurrency exchanges

### Indicators

- Country of domicile of the exchange in a country with weak/no KYC requirements for such activities
- Relocation of the exchange's registered office, uncertainty as to the actual location of the registered office
- Indications in public sources (blogs, forums, etc.)
- Recalls by other banks once transfers have been made

In 2019, and thus even before entry into force of the Token and TT Service Provider Act (TVTG), it was already slowly becoming apparent that additional players would soon be making a name for themselves in the Liechtenstein financial centre. The FIU began dealing with a large number of cases involving cryptocurrency exchanges. Exchanges are companies which exchange assets for third parties on a professional basis from fiat currencies to cryptocurrencies and vice versa; conversi-

13 | ons between different cryptocurrencies are also offered. Towards the end of the year under review, the first such companies established registered offices in Liechtenstein. The FIU's findings for the year under review, however, were limited to cases in which exchanges with registered offices abroad maintained accounts with Liechtenstein banks. Cases repeatedly arose in which there were recalls of transactions made to the accounts in Liechtenstein. In those cases, banks in Liechtenstein were informed by the originating bank abroad that a transaction had been initiated either against the originator's will or without the originator's knowledge or pursuant to deception. It is very difficult for the domestic person subject to due diligence to recognise this circumstance in individual cases as part of transaction monitoring. Because the exchange holding the account manages the client relationship, the bank is limited to having knowledge that is precise as possible of the KYC processes used by the exchange and to checking those processes. Overall, it should be taken into account that the choice of a country of domicile for an exchange is likely to depend largely on the applicable due diligence provisions. Jurisdictions with little or no mandatory provisions for providers of such services are likely to be an indication that the business relationship should be managed as high-risk, if at all. In any case, such relationships require corresponding expertise on the part of bank-internal compliance.

as the competent enforcement authority under the ISG. The bank also submitted a report of suspicion under the Due Diligence Act, given that suspicion of predicate offences of money laundering could also not be dispelled, and shortly afterwards the business relationship was terminated.

## 11. International Sanctions Act

### Indicators

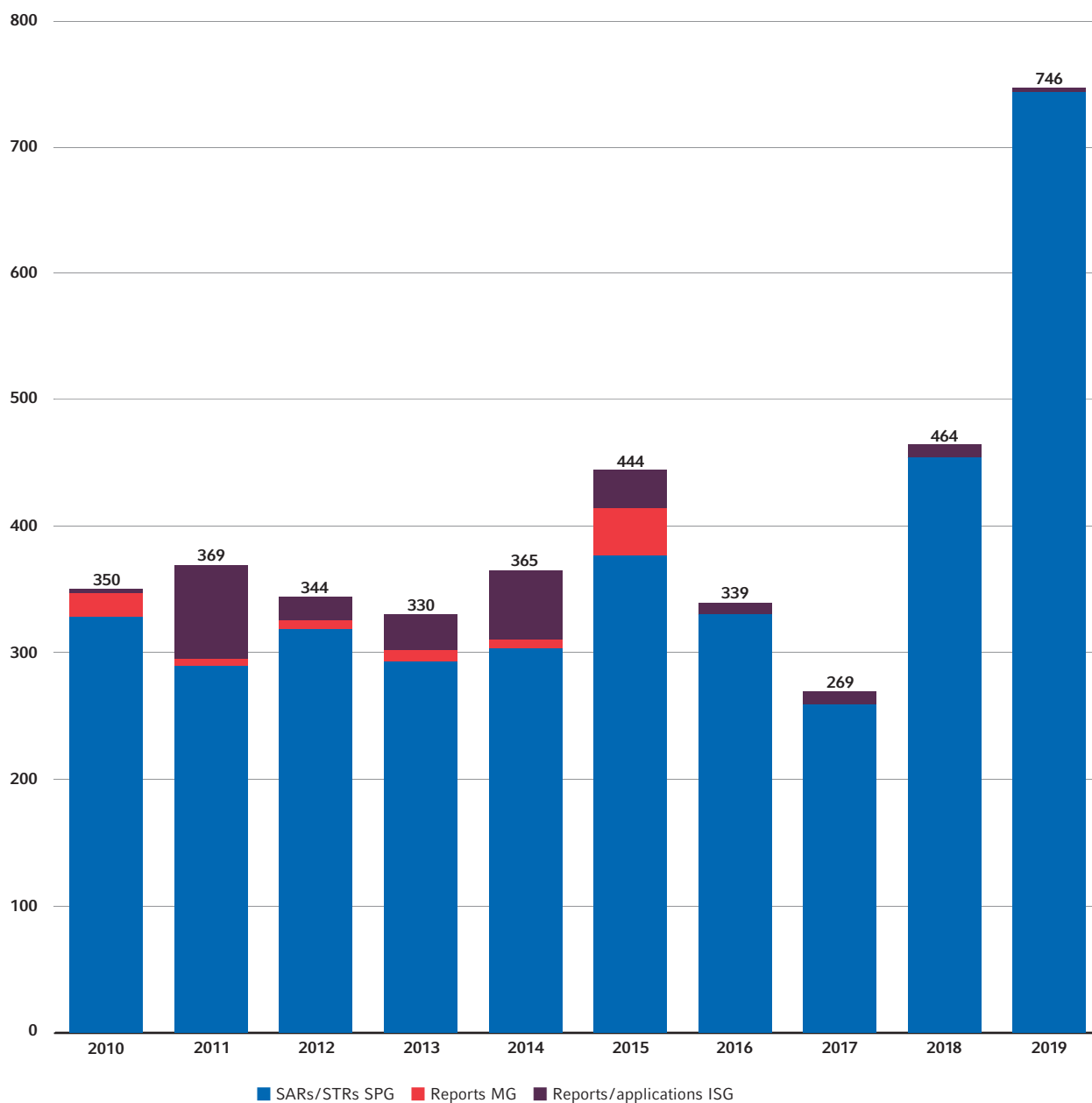
- Indications from public sources (free or paid registers such as flight trackers, vessel trackers, etc.)

The FIU regularly examines cases as the enforcement authority under the Law on the Enforcement of International Sanctions (ISG). Reports arising under the various sanctions ordinances have to be submitted to the FIU. The clarifications for the persons and entities required to submit such reports may be very complex. A good example from the year under review is presented here. A bank maintained a business relationship with an entity which, according to its business profile, was active in the field of oil platform maintenance. The entity confirmed to the bank that the drilling platform would not carry out any activities relevant to sanctions. As part of monitoring of the business relationship, the bank then attempted to determine the location of the platform using tracking apps, which turned out to be difficult due to the naming of the platform. The persistence of the bank employees paid off, however, and they were then able to follow the platform by means of a discovered identification number. It quickly turned out that the platform had spent about three months in a region covered by the sanctions ordinance. The bank then submitted a report to the FIU

## IV. Statistics

### 14 | 1. Overall view

#### All reports (SPG and MG) and reports/applications ISG



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
SARs/STRs SPG	328	289	318	293	303	376	330	259	454	742
Reports MG	19	6	7	9	7	38	0	0	0	0
Reports/applications ISG	3	74	19	28	55	30	9	10	10	4

## 15 | 2. Reports of suspicion under the SPG

This heading covers the SARs/STRs 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 of money laundering, organised crime, or terrorist financing.

### 2.1. Evaluation by sector

The reports of suspicion (SARs/STRs) received by the FIU in the years 2015 to 2019 came from the following sectors:

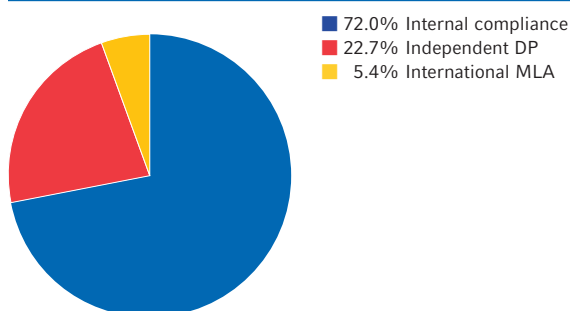
Sector	2015	2016	2017	2018	2019
Banks	245	221	163	309	540
Public authorities	10	14	12	7	13
Precious metal dealers	0	0	0	0	0
Dealers in high-value goods/auctioneers	0	0	0	0	1
Investment undertakings	0	0	0	0	0
Lawyers	7	7	1	0	0
Professional trustees/trust companies	65	56	48	82	132
Asset managers/management companies	3	0	2	2	1
Life insurers				6	5
Insurance undertakings	30	18	26	31	22
Electronic money institutions				2	1
Insurance brokers				2	0
Investment firms				3	2
Auditors/audit firms	3	0	0	1	5
Fund companies/AIFMs					2
PSPs (payment service providers)	12	10	5	3	5
Casinos					9
FIU/non-reg. FI/unknown					4
Finance companies	0	0	4	0	0
<b>Total</b>	<b>376</b>	<b>330</b>	<b>259</b>	<b>448</b>	<b>742</b>

### 2.2. Reasons for submission

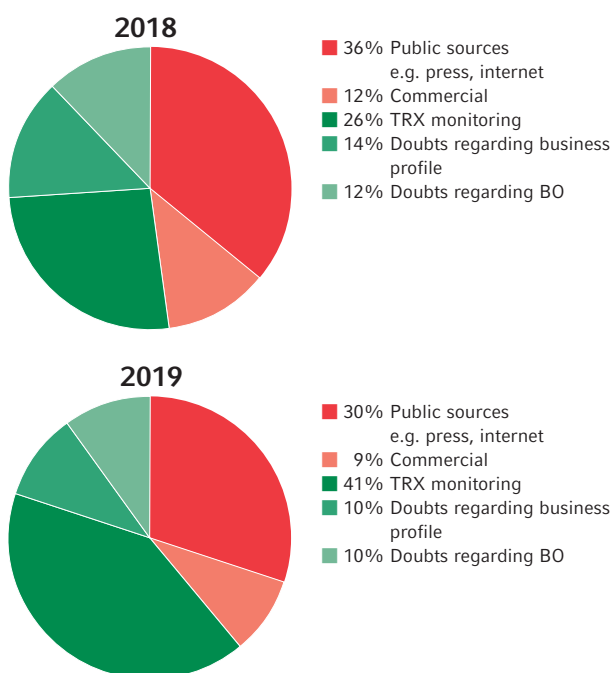
The reports of suspicion (SARs/STRs) are classified according to whether they:

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

### Reasons for submission



### Breakdown of "Internal compliance"



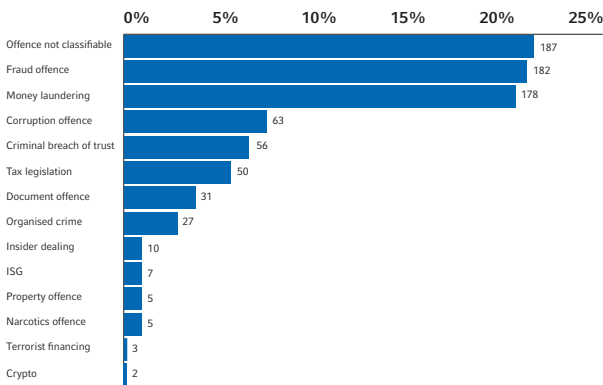
16 | 2.3. Statistics according to offence

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

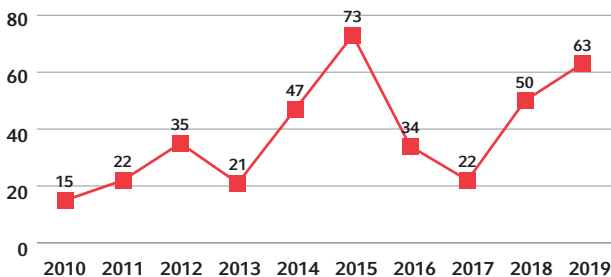
A predicate offence is the offence from which the assets originate or might originate or through which the assets have been generated. For the statistics, the predicate offences are relevant that are ascertained by the FIU's analysis of the reports of suspicion (SARs/STRs) pursuant to the Due Diligence 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

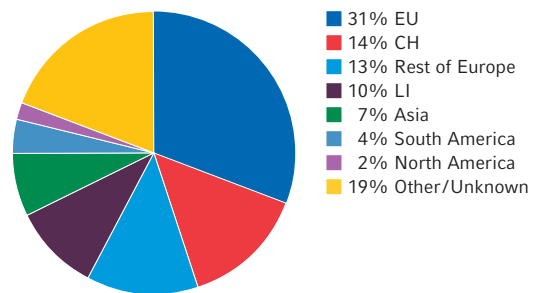
**Corruption offences**



2.3.3. Nationality/domicile of contracting party

These statistics provide information on the origin (for natural persons) or registered office (for legal persons) of the contracting parties of the persons subject to due diligence indicated in the SAR/STR.

**Nationality of involved persons, by region**

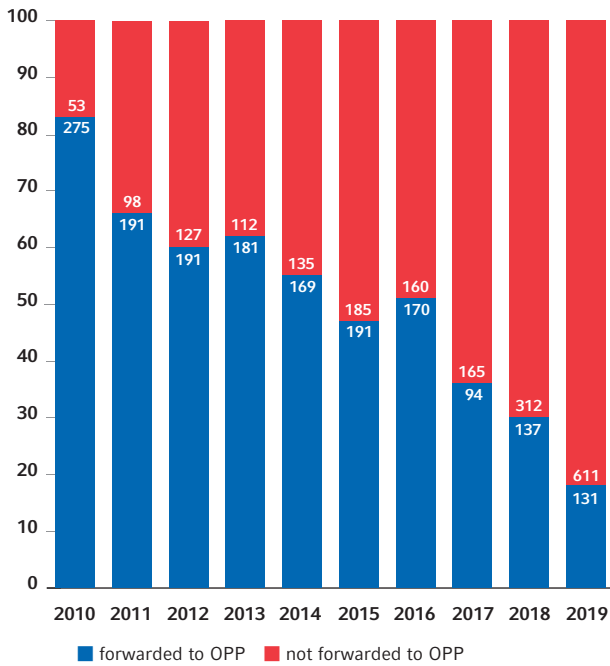




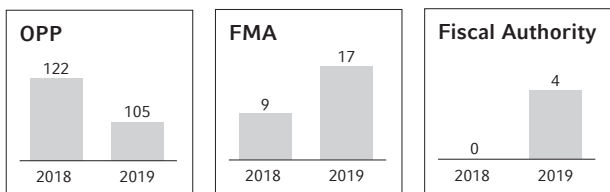
17 | 2.4. Analysis reports forwarded to the Office of the Public Prosecutor

The statistics on reports forwarded/analysis reports, if continued as in previous years, would be as follows:

Reports forwarded/Analysis reports

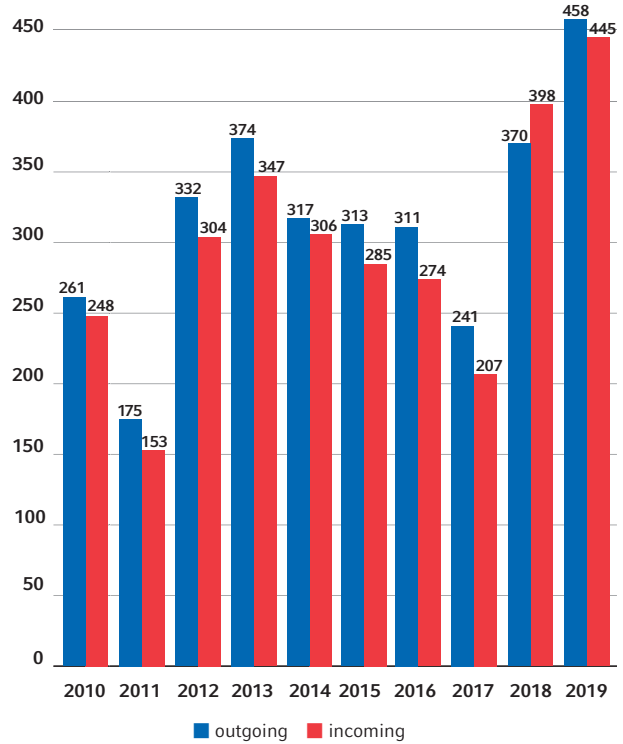


But this presentation distorts the real picture, as already explained under II. Activities of the FIU. This format does not indicate how many SARs/STRs or parts thereof ultimately ended up in the reports sent to the prosecution or supervisory authorities. An FIU report consists in an analysis of the information available to it and is not limited to mere forwarding of the reports of suspicion. There has accordingly been a growing recognition of the unsuitability of the ratios reported in these statistics. Consequently, we switched to the following presentation as of the beginning of this year:



2.5. International cooperation

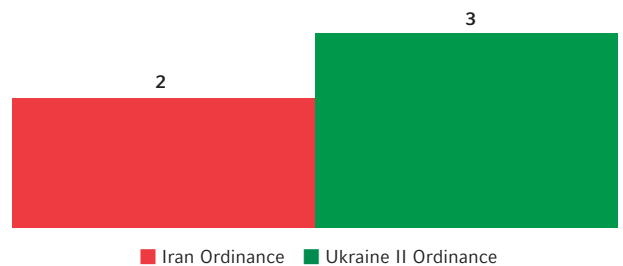
FIU information exchange



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 place of residence, registered office, or a branch in Liechtenstein are required to submit a report or an application for approval.

Reports/applications under the ISG



## V. Abbreviations

18   DP	<i>Domestic proceedings</i>	IMF	<i>International Monetary Fund</i>
EEA	<i>European Economic Area; Liechtenstein became a full member of the EEA on 1 May 1995</i>	ISG	<i>Liechtenstein Law of 10 December 2008 on the Enforcement of International Sanctions (International Sanctions Act)</i>
EU	<i>European Union</i>	MG	<i>Liechtenstein Law of 24 November 2006 against Market Abuse in the Trading of Financial Instruments (Market Abuse Act)</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 jurisdictions and two international organisations (the European Commission and the Gulf Cooperation Council).</i>	MLA	<i>Mutual legal assistance</i>
FIU	<i>Financial Intelligence Unit</i>	MONEYVAL	<i>Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism</i>
FIUG	<i>Liechtenstein Law of 14 March 2002 on the Financial Intelligence Unit</i>	SAR	<i>Suspicious activity report (report of suspicion not involving a transaction)</i>
FMA	<i>Financial Market Authority Liechtenstein</i>	SPG	<i>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)</i>
goAML	<i>Electronic reporting portal of the FIU for submitting reports of suspicion and for responding to requests for information</i>	STR	<i>Suspicious transaction report (report of suspicion involving at least one transaction)</i>
		TRX	<i>Transaction</i>