

FINANCIAL INTELLIGENCE UNIT (FIU)
OF THE PRINCIPALITY OF LIECHTENSTEIN

Annual Report 2011

Financial Intelligence Unit (FIU)
of the Principality of Liechtenstein

*«You must be the change
you wish to see in the world.»*

Mahatma Gandhi

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I. Foreword

Last year, the Financial Intelligence Unit of the Principality of Liechtenstein (FIU) celebrated its 10-year anniversary. This was a good opportunity to pause for a moment and consider the main task of the FIU – to protect the financial system from abuse. This task can be successful only if everyone involved – both nationally and internationally – works together closely and with a sense of mutual trust. The occasion of the celebration brought the representatives of the Government and the National Public Administration of Liechtenstein together with numerous foreign representatives. These experts were able to exchange thoughts on the past, present, and future of financial intelligence (see the discussion on page 11). One of the participants was the first Director of the FIU, Michael Lauber. With great pleasure, we took note of the election of Michael Lauber as the Swiss Attorney General. We would like to take this opportunity to wish him all the best in the performance of this important office in Switzerland.

The year 2011 began like a thunderbolt. In several Arab countries, the popular masses rose against their regimes. In Tunisia, Egypt, and later in Libya, this led to the fall of the governments. One of the main reasons for the popular uprisings was the corruption of the ruling elites rampant in those countries. International financial centers cannot evade these developments. Already in the past, there were several prominent examples of kleptocrats trying to hide their assets in financial centers (Marcos – Philippines, Duvalier – Haiti, Abacha – Nigeria, to

mention only a few). In these cases, the necessity of a functioning system to defend against money laundering became apparent. Unlike these earlier cases, the international community, but also individual states, reacted in a more coherent and rapid way to the recent fall of the regimes. While some cases have not yet been concluded, it can already be said that the Liechtenstein measures to combat abuse again proved their worth in connection with these events. This is a good sign, even though the efforts should not let up. The people who abuse the financial center will always try to be a step ahead. Although the efforts to prevent abuse have been strengthened considerably, many forms of crime continue to be on the advance. The attempts to conceal income from these illegal acts continue to be a consistently high threat to the Liechtenstein financial center.

Liechtenstein's efforts to defend against money laundering and terrorist financing are monitored regularly by international bodies. The preparatory work for the next country assessment (planned for 2013) has already begun. Liechtenstein will present the measures it has taken since the last country assessment to the international community. The goal of these measures is to identify and prevent abuse at an early stage, in order to further strengthen the reputation of the financial center. The Financial Intelligence Unit will continue to rigorously pursue this approach in the future.

René Brülhart
Director of the FIU

II. Activities of the FIU

1. The FIU's areas of responsibility

Introduction

The competences and responsibilities of the FIU are primarily governed by the Law on 14 March 2002 on the Financial Intelligence Unit (FIU Act)¹. According to article 3 of the FIU Act, the Financial Intelligence Unit serves as the central authority for obtaining and analyzing information that is necessary to recognize money laundering, predicate offenses for money laundering, organized crime, and terrorist financing.

The focus of daily work is on the receipt, evaluation, and analysis of the reports submitted by financial intermediaries pursuant to article 17(1) of the Due Diligence Act (DDA)² in cases of suspicion of money laundering, a predicate offense for money laundering, organized crime, or terrorist financing. The FIU may also obtain information itself from publically available and non-publically available sources.

According to the Market Abuse Act (MAA)³, which entered into force on 1 February 2007, the Financial Intelligence Unit is also responsible for the receipt, evaluation, and analysis of the reports submitted pursuant to article 6(1) of the MAA and the forwarding thereof to the FMA, if it suspects that a transaction using financial instruments might constitute an insider transaction or market manipulation (market abuse). In the event of justified suspicion of market abuse, the FIU forwards the report to the FMA.

Since entry into force of the Law on the Enforcement of International Sanctions on 1 March 2009 (ISA)⁴, the FIU has also carried out various enforcement tasks in this regard, such as the receipt of reports in accordance with special ordinances.

Submission of suspicious activity reports (SARs)

Pursuant to article 17(1) DDA, persons subject to due diligence must immediately report in writing to the Finan-

cial Intelligence Unit if there is a suspicion of money laundering, a predicate offense of money laundering, organized crime, or terrorist financing. Likewise, all offices of the National Public Administration and the FMA are subject to the requirement to report to the FIU.

Pursuant to article 5(1)(b) of the FIU Act, the FIU forwards a report submitted pursuant to article 17(1) DDA to the Office of the Public Prosecutor if, on the basis of the analysis carried out by the FIU, the suspicion of money laundering, predicate offenses of money laundering, organized crime, or terrorist financing is substantiated.

In the reporting year, the FIU was confronted with numerous questions concerning practice, especially the reporting obligations under the Due Diligence Act, and it therefore decided to publish the established practice in the Annual Reports. Especially the following questions arose in 2011:

a) Do terminated business relationships also have to be reported?

The due diligence obligations extend only to business relationships maintained by the person subject to due diligence at the time in question³. Business relationships that have already been terminated do not have to be reported if the suspicion triggering the report arose only after the termination (e.g., a newspaper report on the arrest of a client appearing only after termination of the business relationship, and if no indication of criminal origin of assets arose during the business relationship). It is important, however, that the provisions of the Due Diligence Act be complied with even during termination of the business relationship. If, in the course of termination, incidents occur that give rise to a need for clarifications (see indicators of money laundering in the annex to FMA Guideline 2005/1), then termination of the business relationship must be suspended until the clarifications have been concluded. Moreover, it is still the case that the obligation to report refers to the entire fact pattern and not to an individual transaction or an individual business relationship. If, therefore, only individual business relationships have been terminated in the context of an interrelated fact pattern (subject to the reporting requirement) while others persist, then the person subject to due diligence must draw attention to the terminated business relationships in the report.

b) What requirements apply to a suspicion pursuant to article 17 DDA?

According to article 17(1) DDA, a suspicion must be reported to the FIU as soon as a suspicion exists of money

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

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

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

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

laundering, a predicate offense of money laundering, organized crime, or terrorist financing. Special conditions (e.g. a «justified suspicion») are not requirement. The obligation to report is often triggered where suspicions⁵ cannot be eliminated after carrying out clarifications in accordance with article 9 DDA. In particular, the person subject to due diligence need not know the specific predicate offense that generated the assets; the suspicion suffices that they were generated by any predicate offense. It is likewise irrelevant whether any conditions for criminal proceedings apply (e.g. not barred by statute of limitations or existence of criminal charges). As soon as the suspicion arises, the report must immediately be submitted, even if the special clarifications have not yet been concluded. The person subject to due diligence must set up the internal organization so that the decision on submission can be taken *immediately* by the competent body.

c) *What does it mean when a report is not forwarded?*

Forwarding of a SAR is only one of the measures possible in a given case. Another possibility is for the FIU to continue to analyze the fact pattern. Forwarding the report where appropriate may occur before expiry of the 5-day period in accordance with article 18(2) DDA or at a later time (see below). If a report is forwarded, this is communicated to the submitting person subject to due diligence. The person subject to due diligence then knows who will serve as the contact partner for the reported activity from that time onward. If, after expiry of the 5-day period in accordance with article 18(2) DDA, the report has *not* been forwarded, then the FIU likewise communicates this to the person subject to due diligence. This does not necessarily mean that the suspicion no longer exists or has been eliminated. The activity will continue to be considered by the FIU even in the case of such a communication – it can thus not be ruled out that the report will be forwarded at a later time. What does this mean for the submitting person subject to due diligence? If, until expiry of the 5-day period in accordance with article 18(2) DDA, no measures of the Office of the Public Prosecutor or the Court of Justice have been taken, the person subject to due diligence is no longer prohibited from taking actions that might impede or interfere with any orders pursuant to § 97a of the Code of Criminal Procedure. However, this only applies with respect to the fact pattern that was the subject matter of the report. If a business relationship is continued after a report has been submitted (but not forwarded), the person

subject to due diligence is still required by article 17 DDA to report new suspicious transactions. It is clear, however, that the person subject to due diligence may terminate the business relationship after expiry of the time period set out in article 18(2) DDA, if no measures have been seized by the law enforcement authorities – provided that the submitted report was complete. If the business relationship is continued, on the other hand, then as a rule it must be assumed that the business relationship entails a higher risk as referred to in article 11 DDA.

Enforcement of international sanctions

Pursuant to article 1(1) in conjunction with article 2 ISA, the Government may issue coercive measures in the form of ordinances to enforce international sanctions adopted by the United Nations or the most important trading partners of Liechtenstein. Currently, the following sanctions are in effect (in parentheses, any amendments that occurred in the reporting year):

- Measures against the Republic of Iraq (amended in 2011: LGBL. 2011 No. 578)
- Measures against certain persons from the former Federal Republic of Yugoslavia
- Measures against Somalia (amended in 2011: LGBL. 2011 No. 323)
- Measures against Liberia
- Measures against persons and organizations linked to the Al-Qaida group (amended in 2011: LGBL. 2011 No. 465, 468, 479, 526, and 591)
- Measures against persons and organizations linked to the Taliban (amended in 2011: LGBL. 2011 No. 19, 39, 56, 63, 93, 122, 163, 168, 183, 188, 204, 242, 256, 282, 324, 348, 428, 446, 464, 467, and 527)
- Measures against Myanmar (amended in 2011: LGBL. 2011 No. 161 and 494)
- Measures against Zimbabwe (amended in 2011: LGBL. 2011 No. 69)
- Measures against the Democratic Republic of the Congo (amended in 2011: LGBL. 2011 No. 334, 475, and 525)
- Measures against Sudan
- Measures against Côte d'Ivoire (amended in 2011: LGBL. 2011 No. 40, 61, 141, 147, 167, 257, 450, and 518)
- Measures against certain persons linked to the assassination of Rafik Hariri (currently without a list of names)
- Measures against Belarus (amended in 2011: LGBL. 2011 No. 62, 160, 196, 252, and 473)
- Measures against the Democratic People's Republic of Korea

⁵ Typically triggered by indicators of money laundering in the annex to FMA Guideline 2005/1

- Measures against Lebanon
- Measures against the Islamic Republic of Iran (amended in 2011: LGBL. No. 55, 148, 203, 474, and 548)
- Measures against Guinea (amended in 2011: LGBL. 2011 No. 121)
- Measures against Eritrea (currently without a list of names)

The following sanctions were imposed additionally in 2011:

- Measures against certain persons from Tunisia (entered into effect on 3 February 2011; amended in 2011: LGBL. 2011 No. 60)
- Measures against Libya (entered into effect on 1 March 2011; changes in 2011: LGBL. 2011 No. 92, 120, 133, 143, 195, 225, 241, 258, 333, 437, 448, 463, 496, and 577)
- Measures against Egypt (entered into effect on 23 March 2011; changes in 2011: LGBL. 2011 No. 116)
- Measures against Syria (entered into effect on 11 May 2011; changes in 2011: LGBL. 2011 No. 253, 322, 349, 438, 449, 480, 504, and 549)

These ordinances regularly grant the Financial Intelligence Unit the power to receive reports on blocked assets and economic resources (e.g. in article 6(1) of the Ordinance on Measures against Certain Persons from the Former Federal Republic of Yugoslavia or in article 6(1) of the Ordinance on Measures against Syria). Pursuant to some of the ordinances, the FIU also has the power to monitor enforcement of the coercive measures and especially to verify requests for exceptional conditions as well as to forward recommendations for decision on such requests to the Government (e.g. according to article 5(1) of the Ordinance on Measures against Syria).

Most of the reports and requests in 2011 were pursuant to the Ordinance on Measures against the Islamic Republic of Iran. According to article 12(1) and (2) of that Ordinance, money transfers between CHF 10,000 and CHF 50,000 must be reported to the FIU, and money transfers above CHF 50,000 are subject to authorization. Such requests for authorization are verified by the FIU and forwarded to the Government with a recommendation. The Government grants authorization if the money transfer does not violate the Ordinance or the laws governing the control of goods or war material.

In 2011, the FIU modified the forms for reporting under the Ordinance on Measures against the Islamic Republic of Iran. They can be downloaded from the website of the FIU at <http://www.llv.li/amtsstellen/llv-sfiu-home/llv-sfiu-vorlagen>.

2. Future developments

As already mentioned in the last Annual Report, the FATF has revised the global standard for combating money laundering and terrorist financing (previously the «40+9 Recommendations»). The most important changes adopted by the FATF member state on 16 February 2002 are:

- Strengthening of the risk-based approach: The individual states and persons subject to due diligence must assess the risk to what extent they can be abused for the purpose of money laundering and terrorist financing and use this risk to derive the depth of defensive measures. In the case of products and services where the risk must be assessed as higher, enhanced due diligence obligations strictly apply. In business relationships with lower risks, the measures may be reduced accordingly and thus costs saved.
- Strengthening of the transparency of companies and legal entities: The norms applicable to the identification of beneficial owners are being strengthened worldwide and elaborated in greater detail.
- Strengthening of international cooperation for the detection, confiscation, and return of illegally obtained assets, especially legal and administrative assistance, as well as cooperation among financial intelligence units.
- Addressing of new threats: The focus here is on the non-proliferation of weapons of mass destruction, corruption, terrorist financing, and tax crime.
- Clarification of the existing standards: Adjustments in certain areas that have led to problems of interpretation and unequal treatment of assessed countries.

In the wake of adoption of the new FATF recommendations, the EU has already begun to work on revision of the EU legal foundations on money laundering. The Commission expects to present an initial draft of the new directive in autumn 2012. Subsequently, the EU and EEA member

states will have to adjust their legislation to the new recommendations; implementation is not expected before 2013/2014.

The next country assessment of Liechtenstein (4th round) by the International Monetary Fund (IMF) will take place in 2013. As part of this 4th round, the following will be evaluated: full implementation of the 16 key and core recommendations of the FATF, other important recommendations, and the measures taken in connection with the recommendations made in the 2007 country report where Liechtenstein's implementation was deemed partially compliant (PC) or non-compliant (NC) and thus insufficient or non-existent. The IMF report on Liechtenstein will then be discussed and adopted in a Moneyval plenary meeting.

3. International cooperation

In cases with a foreign link, the FIU works together in a targeted manner with foreign FIUs and requests them to provide information or transfer documents where necessary for the analysis of a case. The FIU grants corresponding requests from abroad if the conditions set out in article 7(2) of the FIU Act are met. Exchange of information is governed by national legislation and the rules of the Egmont Group.

International cooperation is not limited only to case-specific information exchange, however, but rather also covers a general exchange of experience and information as well as participation in international working groups and organizations, such as expert activities for the International Monetary Fund, the World Bank, and the United Nations.

In the field of technical assistance, the FIU has helped in the establishment and training of financial intelligence units in developing and emerging countries and thus made an active contribution by Liechtenstein to the worldwide AML/CFT efforts.

3.1 Egmont Group

For 10 years, the Financial Intelligence Unit has been a member of the Egmont Group of Financial Intelligence Units. This group is the worldwide association of national financial intelligence units, currently with 127 members. It supports and promotes mutual information exchange at the international level and plays an important role in the field of AML/CFT. René Brühlhart, Director of the FIU, serves as Vice Chair of the Egmont Group. The FIU has the lead for several of the Egmont Group's projects.

At the bilateral level, the focus of the FIU was on concrete treatment of cases. To further consolidate and clearly govern this cooperation, 16 memoranda of understanding were concluded last years. Additional agreements with several G20 countries and other important international financial centers are under preparation.

3.2 Financial Action Task Force

The Financial Action Task Force (FATF) is an international working group with the mandate to analyze the methods of money laundering and terrorist financing, to develop a worldwide standard to combat money laundering and terrorist financing, and to regularly assess member states with respect to their implementation of

these standards. The FATF is headquartered at the OECD in Paris, but it is autonomous within the OECD. The FATF consists of 34 states (the OECD members and the largest financial centers) and two international organizations (European Commission and Gulf Cooperation Council).

The FATF also has a procedure at its disposal for identifying states that have not or only insufficiently implemented the worldwide standard. This procedure leads to a cascade of lists of names which are intended to induce states to enter into dialogue with the FATF in order to improve the situation. Where this does not happen, the FATF calls upon the member states (and all other countries) to seize countermeasures. Such a call has currently been issued in regard to two countries: Iran and North Korea.

In the reporting year, the FATF further advanced the revision of its recommendations for combating money laundering, terrorist financing, and (now additionally) proliferation⁶. The Financial Intelligence Unit was included in this work through its Director in his function as Vice Chair of the Egmont Group. Additionally, the FIU actively works in the Typologies Working Group of the FATF, especially in the context of the FATF's work on combating corruption.

3.3 MONEYVAL

MONEYVAL was founded in 1997 as the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism. Moneyval has a peer review process at its disposal. The goal of this process is to ensure that the AML/CFT systems of the member states are effective and that they comply with the relevant international standards in this field (FATF, Council of Europe, and EU).

The last country assessment of Liechtenstein, conducted by the International Monetary Fund (IMF) for Moneyval, took place in 2007. Numerous of the deficits identified at the time in Liechtenstein's implementation of the FATF recommendations were remedied especially as part of implementation of the 3rd EU Money Laundering Directive. Other recommendations are still pending and will be addressed in the revision launched in February 2012 of the Due Diligence Act, the Gambling Act, and the Code of Criminal Procedure.

3.4 EU/EEA

The FIU represents Liechtenstein in the FIU Platform of the EU/EEA member states. This body discusses the preparatory work for the 4th EU Money Laundering Directive relevant to financial intelligence units. A draft of this new EU directive is expected for autumn 2012.

4. 10-year anniversary of the FIU Liechtenstein

On 12 June 2001, the FIU Liechtenstein became a member of the Egmont Group and was thus recognized internationally as a financial intelligence unit. On the occasion of the 10-year anniversary, an event with guests and experts from Liechtenstein and abroad took place. After the welcoming remarks by Prime Minister Dr. Klaus Tschütscher, three speeches were held by: Dr. August Hanning, former Director of the German Federal Intelligence Service; Juan Zarate, former Assistant Secretary of the US Treasury for Terrorist Financing and Financial Crimes; and Daniel Thelesklaf, who at the time was Director of the Basel Institute on Governance. In the subsequent discussion with the participants, praise was expressed regarding Liechtenstein's AML/CFT efforts. All the speakers emphasized the significant development over the past 10 years and the role of the FIU during this period. Dr. August Hanning stated that Liechtenstein «has achieved a status one can rightfully be proud of.»

⁶ The new recommendations were adopted on 16 February 2012.

5. Case studies

5.1 Over-invoicing

A Company B registered and operating in a foreign country buys goods from Company S. In return for the purchase of the goods, Company S pays commissions to a Liechtenstein foundation, LIF, whose beneficiary is the CEO of Company B. The CEO immediately withdraws the payments in cash. After the transaction is completed, Company B goes bankrupt.

This situation rightfully caused suspicion among persons subject to due diligence, due to the combination of the following evidence:

- While it cannot be ruled out, it is still rather unusual for an employee of the contracting party involved to be paid commissions. As a rule, such commissions are paid to a third party in return for brokering or concluding the contract. For the employees of the involved parties, these services are already included in their salaries or are paid by the employer (but not by the counterparty!) as a variable salary component.
- If one of the involved contracting parties goes bankrupt, greater care must be paid to recently concluded transactions. In such cases, normal corporate oversight by the owner no longer functions. The trustee in bankruptcy and the creditors often lack the necessary insight to verify the business activities of the management. If the company is going to go bankrupt anyway, then the incentive for managers is much greater to enrich themselves at the expense of creditors.
- Finally, settlement of payments via a recently established foundation is ultimately also suspicious in this context, especially when money was recently withdrawn in cash.

In fact, the FIU's analysis corroborated the suspicion. Company S invoiced a clearly excessive amount to Company B for delivery of the goods. The CEO agreed with Company S that the difference between the invoiced amount and the actual value of the goods would be paid to him on the LIF account of which he was a beneficiary. He wanted to enrich himself personally at the expense of the creditors.

5.2 Murder with insurance fraud

In 1990, the husband of A was killed. Since the husband had connections with the Mafia, the investigation authorities assumed a contract killing. At the beginning of 1992, a life insurance policy was paid out to widow A. A used the money to buy a house in Spain. After several years, she sold the house again and paid the proceeds to the account of a Liechtenstein foundation.

In 2009, the perpetrator was caught. In the subsequent house search, the police found evidence showing that A had ordered the murder. Because of her accomplice's arrest, A disappeared and could not be caught despite an international arrest warrant.

Only the careful monitoring by a Liechtenstein financial intermediary of his client relationships led to the break in the case. In 2011, the beneficial owner A wanted to close the account. Due to the order to close the account, the person subject to due diligence analyzed his data and discovered the information concerning the beneficial owner. This led to submission of a SAR to the FIU and blocking of the assets of the Liechtenstein foundation.

An evaluation of the transaction showed that the Liechtenstein foundation additionally held a company. Via the account of that company, various payments such as rental payments and payments to telecommunications providers and insurance companies were made. This trail finally led to the arrest of A at her foreign abode.

III. Statistics

1. General definitions and comments

Reporting year

The reporting year 2011 corresponds to the calendar year and thus runs from 1 January to 31 December 2011.

Comparison period 2002–2010

The figures from the year 2001 are not included in the statistics, since the FIU began its operational activities only on 1 March 2011.

Type of reports

a) SARs DDA

This term includes all suspicious activity reports submitted to the FIU by persons subject to due diligence pursuant to article 17 DDA in the case of suspicion of money laundering, predicate offenses of money laundering, organized crime, or terrorist financing.

b) Reports MAA

This term includes reports submitted to the FIU pursuant to article 6 MAA in the case of suspicion that a transaction with financial instruments may constitute market abuse. Persons domiciled in Liechtenstein or with a branch in Liechtenstein who carry out transactions with financial instruments on a professional basis are subject to the reporting requirement.

c) Authorizations and reports ISA

This term includes all reports and requests for authorization submitted to the FIU pursuant to an ordinance on coercive measures. All persons resident, domiciled, or with a branch in Liechtenstein are subject to the reporting requirement.

Reporting reason

a) Internal compliance

This term is used when the SAR submitted to the FIU by the person subject to due diligence is based on insights gained in the course of the due diligence measures carried out by the person in connection with money laundering, a predicate offense of money laundering, organized crime, or terrorist financing.

b) International legal assistance (LA)

This definition refers to SARs submitted by the person subject to due diligence to the FIU if the person subject to due diligence is directly or indirectly affected by international

legal assistance proceedings relating to money laundering, a predicate offense of money laundering, organized crime, or terrorist financing.

c) Independent domestic proceedings (DP)

This term is used if the suspicion triggering the SAR arises in relation to independent domestic proceedings conducted by the prosecution authorities in connection with money laundering, a predicate offense of money laundering, organized crime, or terrorist financing.

Reporting behavior

a) Reporting volume

The reporting volume is the total number of SARs under the Due Diligence Act, reports under the Market Abuse Act, and reports and requests for authorization under the ordinances based on the International Sanctions Act that are generated in the reporting year and processed by the FIU.

b) Reporting breadth

Reporting breadth indicates the share of persons subject to due diligence within a given sector who have submitted one or more SARs.

Characteristics of the offense

These statistics provide information on the predicate offenses (types, number, and location of commission) as well as on the nationalities and domiciles of the contracting parties and the beneficial owners.

The predicate offense is the offense from which the assets originate or might originate. For the statistics, those predicate offenses are relevant which are indicated by the FIU's analysis of the SARs under the DDA, even if these results are only of a preliminary character. This assessment may change over the course of any criminal proceedings.

Reports forwarded to the authorities and the FMA***a) SARs forwarded to the Office of the Public Prosecutor (OPP)***

SARs forwarded to the OPP pursuant to article 5(1)(b) of the FIU Act are those SARs forwarded by the FIU to the prosecution authorities where the FIU's analysis has substantiated the suspicion of money laundering, a predicate offense of money laundering, organized crime, or terrorist financing.

b) Reports forwarded to the Financial Market Authority (FMA)

Reports forwarded to the FMA pursuant to article 5(1)(h) of the FIU Act are those reports forwarded by the FIU to the Financial Market Authority where a justified suspicion of insider dealing or market manipulation exists.

Country codes

The «Analysis of offenses» statistics use the ISO 3166 country codes. The key is contained in the Annex.

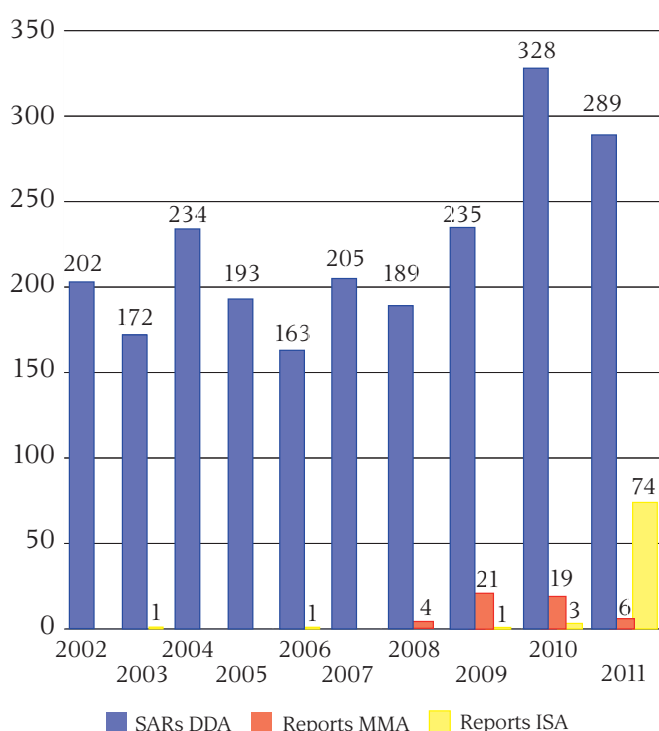
2. Systemic analysis

The systemic statistics provide an indication of how many reports have been received in total as well as from the individual sectors and whether the persons subject to due diligence developed the suspicion triggering the report on their own or only due to already pending proceeds.

2.1 Overall view

Reporting volume

All SARs, reports, and requests for authorization
Comparison 2002–2011



The FIU received a total of 289 SARs under the DDA, 6 reports under the MAA, and 74 reports and requests for authorization under the ISA in the reporting year.

The 289 SARs submitted under the DDA represent a decline of 11.9% from 328 in the previous year, although the total number of SARs is still 35.7% higher than the average (213) of the preceding nine years. The reports under the MAA fell by 68.4% from 19 to 6 (-13). In contrast, there was a striking increase in reports and requests for authorization under the ISA, from 3 to 74. With a total of 369 SARs, reports, and requests for authorization in the reporting year, a new record was reached, corresponding to an increase of 5.4% in comparison with the previous year. Additionally, the FIU still received about 200 notifications

of «Nigeria letters» which are not counted as SARs under the Due Diligence Act.

Evaluation

The reason for the increase can be found in the striking rise in reports and requests for authorization covered by the International Sanctions Act. Their share was in the double digits for the first time; most of the reports concerned Iran (82.4%). This is due to the fact that under the Iran Ordinance, all money transfers involving Iran that exceed CHF 10,000 are subject to the reporting requirement and all such transfers that exceed CHF 50,000 are subject to the authorization requirement.

The reason for the slight decline in SARs under the Due Diligence Act is due to the fact that a single cluster of cases in 2010 led to a large number of SARs.

The decline in reports under the Market Abuse Act is likely because prevention is playing a stronger role now, and cooperation with foreign authorities is having an impact. The inclusion of the offenses of market abuse and insider offenses in the list of predicate offenses appears to have a positive effect.

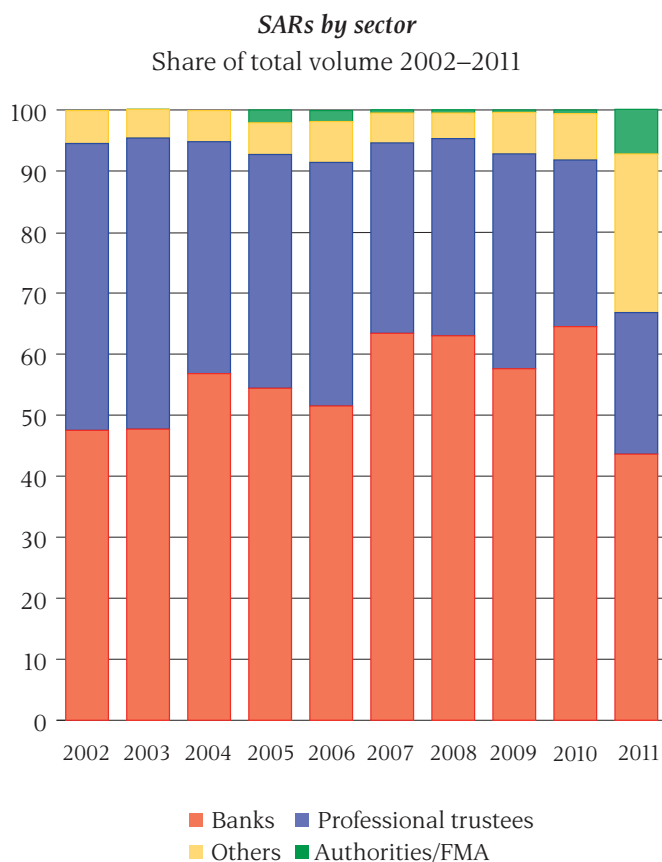
2.2 Due Diligence Act (DDA)

2.2.1 Reports by sector

The SARs received by the FIU in the reporting year were submitted by natural or legal persons working in the following sectors:

- Banks
- Professional trustees
- Authorities
- Insurance undertakings
- Lawyers
- Asset management companies
- Traders in valuable goods
- Auditors and auditing companies
- Investment undertakings

All persons subject to due diligence and authorities



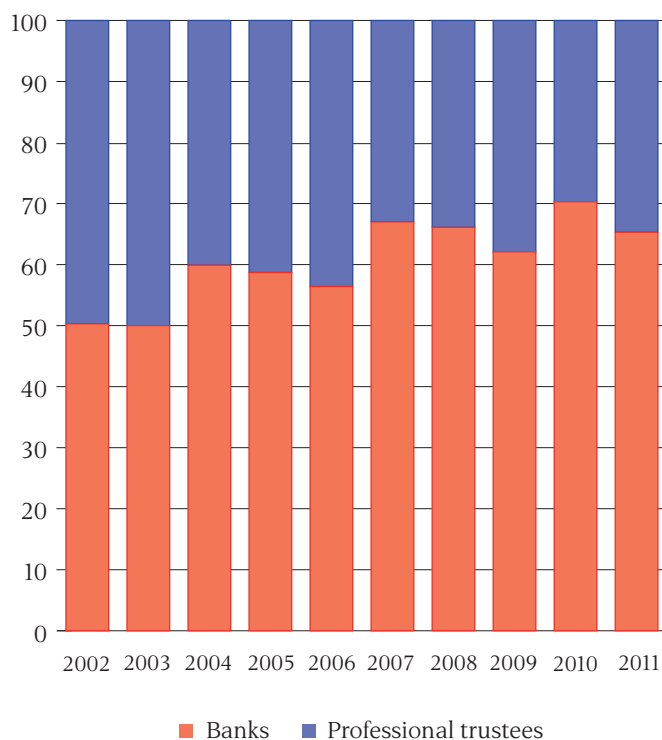
The share of SARs submitted by banks in terms of the total volume since the establishment of the FIU was always greater than 40%, fluctuating between 65% in 2010 and 44% in 2011. The relatively low share in the reporting year is mainly a consequence of the fact that the SARs submitted by insurance undertakings, auditors, and authorities increased significantly. The increase among authorities is due to a large number of SARs submitted by the Office of Environmental Protection arising from value added tax fraud in the trading of CO₂ emissions certificates.

Comparison of banks and professional trustees

Reporting behavior

SARs submitted by banks and professional trustees

Share of total 2002–2011



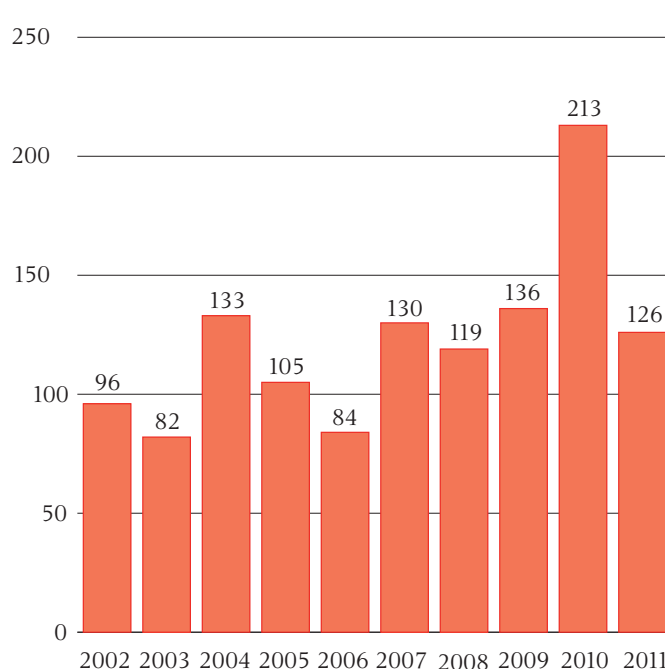
Looking however only at the ratio of SARs between banks and professional trustees, the reporting year confirms that the share of SARs submitted by banks compared with those submitted by professional trustees is tending to increase, even though it declined slightly in comparison with the previous year. It appears to be leveling off at around two thirds (banks) and one third (professional trustees).

Banks

Reporting volume

Number of SARs submitted by banks

2002–2011

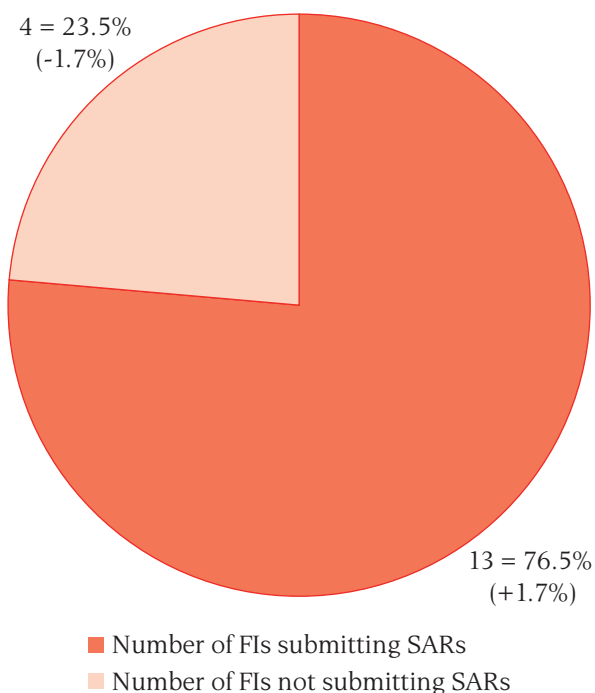


In the reporting year, banks submitted 126 SARs, which represents a reduction of 87 SARs or 40.8% in comparison with the previous year. Nevertheless, this figure is slightly (3.3%) above the average of 122 SARs during the comparison period 2002–2010.

Reporting breadth

SARs submitted by banks

Number and share of reporting banks in 2011
(Comparison with average 2002–2010)



As in the previous year, 13 of 17⁷ banks operating in the Principality of Liechtenstein submitted one or more SARs; this figure is again slightly higher than the average of the past nine years (+1.7%).

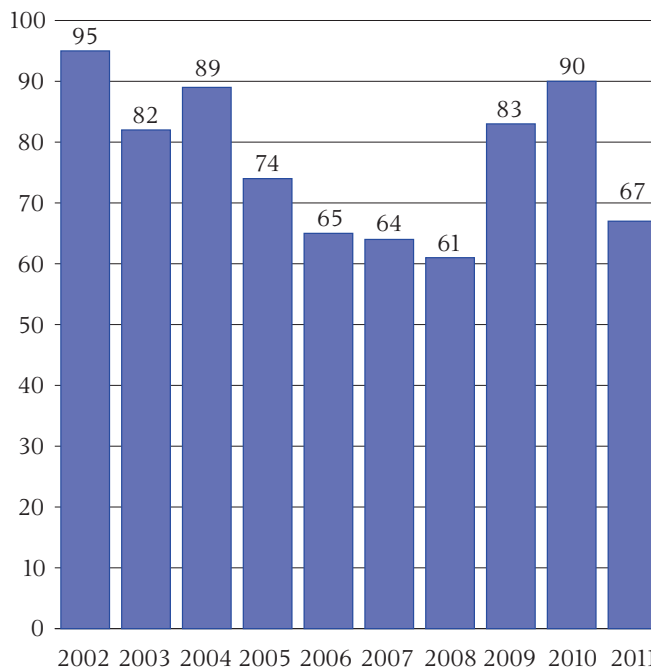
Evaluation

The reporting breadth was consistently high. The four banks that did not submit any SAR in 2011 are either very small institutions, banks with only a restricted license, or banks that began operational activities only in the reporting year.

Professional trustees

Reporting volume

Number of SARs submitted by professional trustees
2002–2011



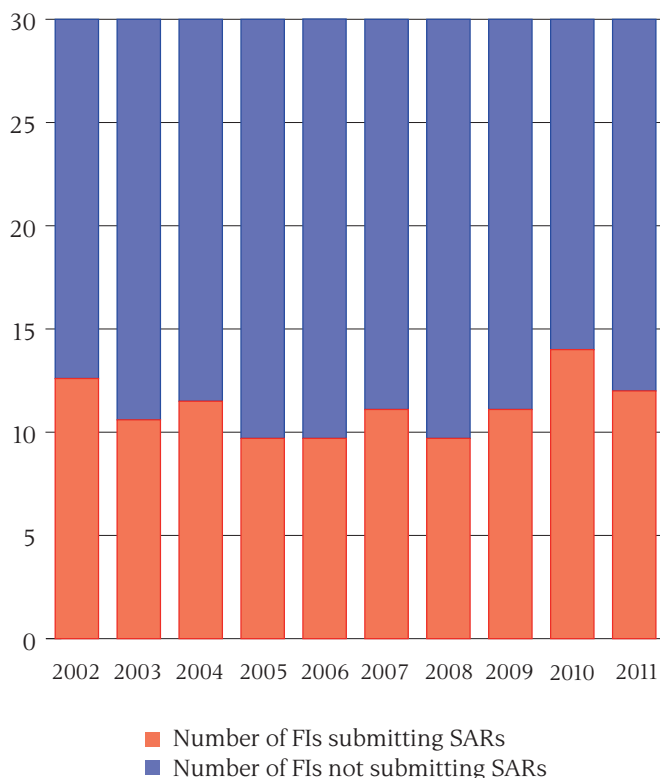
In the reporting year, professional trustees submitted 67 SARs, which represents a reduction by 25.6% in comparison with the previous year or by 14.1% in comparison with the average of the comparison period 2002–2010 (78 SARs). This figure corresponds roughly to the figures between 2005 and 2008.

⁷ Source: Financial Market Authority (as of 31 December 2010).

Reporting breadth

SARs submitted by professional trustees

Share of reporting professional trustees 2002–2011



Of the 392⁸ professional trustees and trust companies licensed in the Principality of Liechtenstein, 12.0% or 47 submitted one or more SARs. This represents 2% or 8 reporting persons fewer than in the previous year and 0.9% or 3 fewer than the average between 2002 and 2010. The average reporting breadth between 2002 and 2010 was 11.1%.

Evaluation

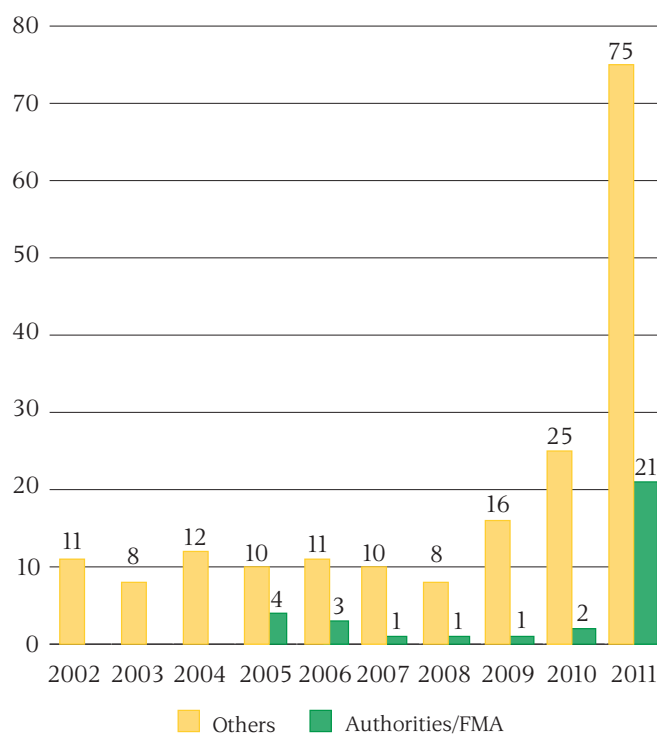
The decline of SARs from the professional trustees sector is likely due to the adjustment process in the Liechtenstein financial center. It appears to reflect the decline in business volume, as also seen in the high number of deletions of legal entities. The relatively low reporting breadth should be seen in light of the fact that many undertakings in the professional trustees sector are very small or no longer carry out business activities.

Other persons subject to due diligence and authorities

Reporting volume

Number of SARs submitted by other persons subject to due diligence/authorities

2002–2011



Of the sectors subsumed under «other persons subject to due diligence» (lawyers, auditors, investment undertakings, Postal Service, insurance undertakings, asset management companies, traders in valuable goods), the insurance sector submitted the most SARs, namely 37 (previous year: 14). Auditors/auditing companies submitted 31 (2010: 2) and authorities 21 (2010: 2). 5 SARs (2010: 6) were submitted by the legal sector, and 1 each for the first time by asset managers and traders in valuable goods.

Evaluation

The disproportionately high increase in numbers from the insurance sector and from auditors and auditing companies in comparison with the previous years was due to the increasing importance of the insurance business in Liechtenstein and a cluster of cases with several inter-related and similar SARs.

⁸ Source: Financial Market Authority (as of 31 December 2010).

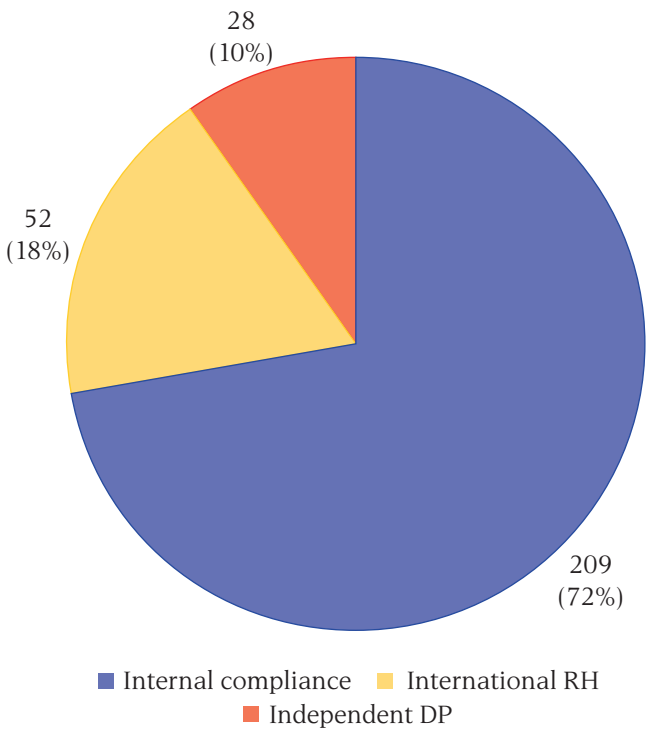
2.2.2 Reason for submitting a SAR

All persons subject to due diligence and authorities

The SARs are divided into reports (1) submitted on the basis of own inquiries regarding unusual or conspicuous transactions (internal compliance), (2) submitted on the basis of knowledge obtained by the person subject to due diligence pursuant to requests for international legal assistance (LA), or (3) originating in independent domestic proceedings (DP).

Reasons for submitting a SAR

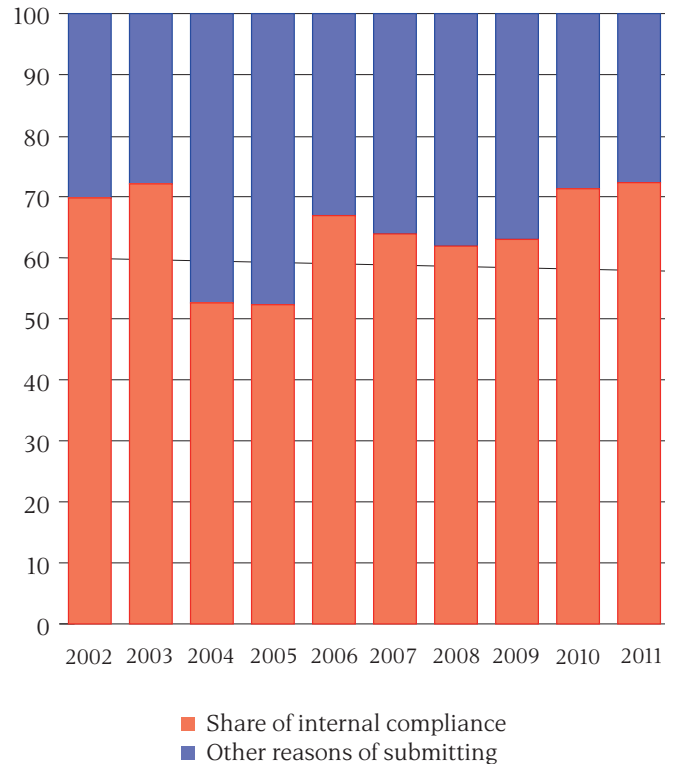
Number and share of SARs compared with total volume 2011



With 209 of a total of 289 SARs, the share in the internal compliance category was 72.3% in the reporting year, which the share in the international legal assistance and independent domestic proceedings categories was 18.0% and 9.7% respectively.

SARs pursuant to internal compliance

Share of the total volume 2002–2011

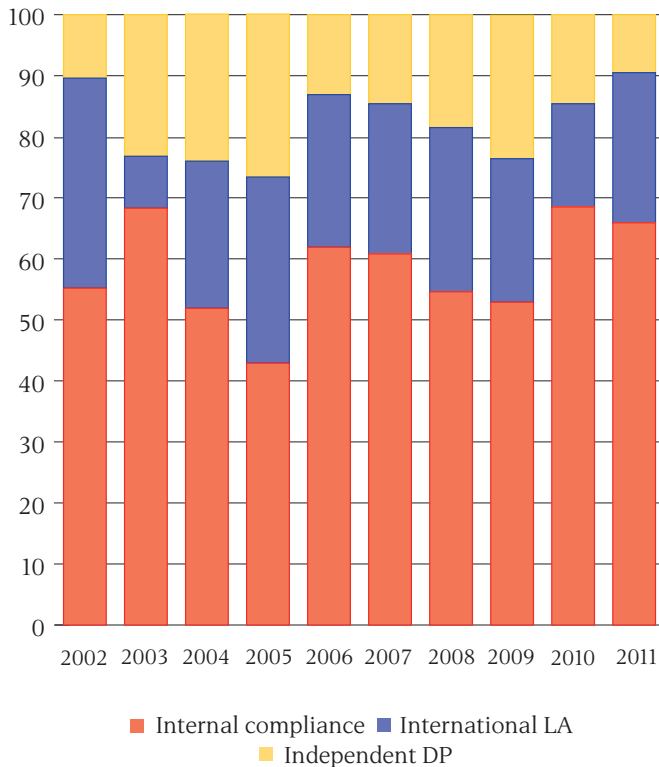


Evaluation

A crucial indicator of effective implementation of AML/CFT provisions is the number of SARs submitted on the basis of internal compliance. This share reached a gratifying rate of 72.3% in the reporting year and was thus higher than the share in any of the previous years.

Banks

Banks' reasons for submitting SARs
Share of total volume 2002–2011



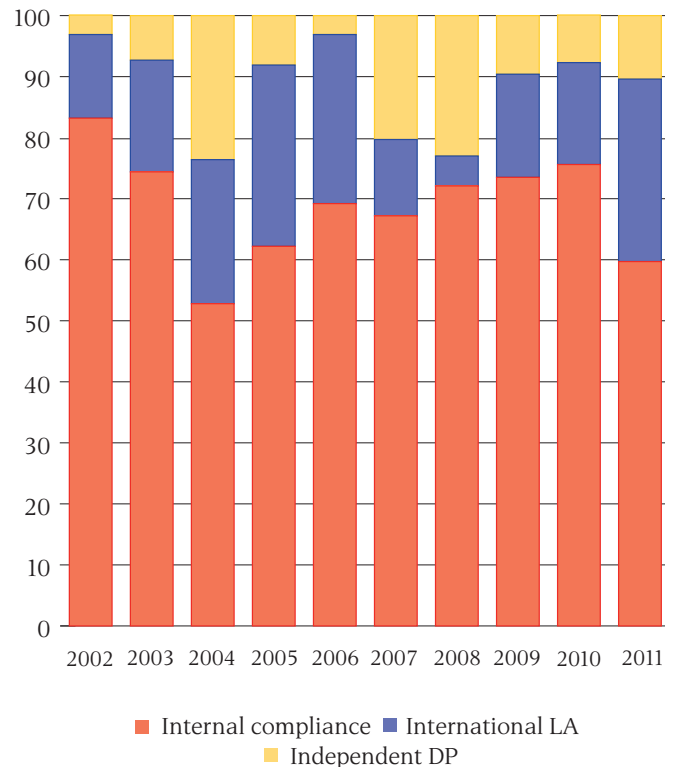
Of the total of 126 SARs from the banking sector in the reporting year, 83 (65.9%) were pursuant to internal compliance, 31 (24.6%) pursuant to international legal assistance, and 12 (9.5%) pursuant to independent domestic proceedings. Even though the share of SARs submitted pursuant to internal compliance decreased slightly since the previous year, it was still significantly higher than the average of 58.0% between 2002 and 2010.

Evaluation

Nearly two thirds of SARs were submitted pursuant to internal compliance. This is an indication that the AML/CFT system is working well in the banking sector.

Professional trustees

Professional trustees' reasons for submitting SARs
Share of total volume 2002–2011



Of a total of 67 SARs from the professional trustees sector in the reporting year, 40 (59.7%) were pursuant to internal compliance, 20 (29.2%) pursuant to international legal assistance, and 7 (10.4%) pursuant to independent domestic proceedings. After the steady increase of SARs submitted pursuant to internal compliance since 2004, a decline occurred again for the first time in the reporting year.

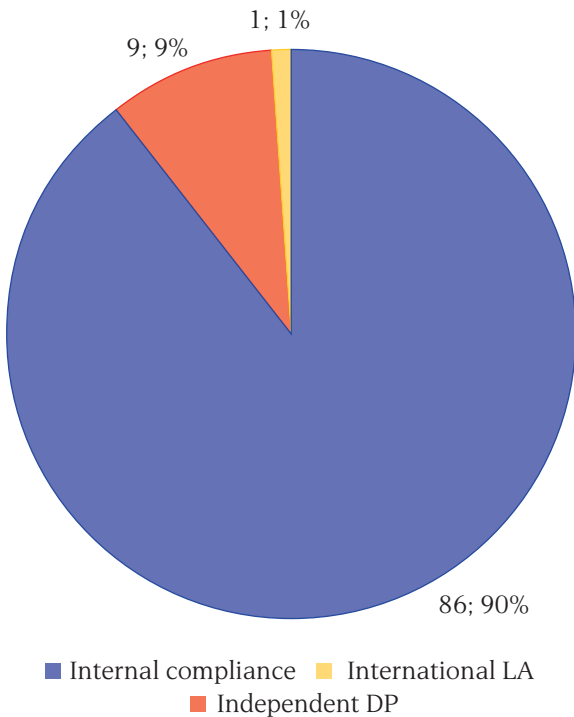
Evaluation

Even though the number of SARs submitted pursuant to internal compliance was lower than the level of 75.6% in the previous year and the average of 70.3% between 2002 and 2010, this decrease is no cause for concern. At nearly 60%, this share still indicates a functioning system to combat abuse.

Other persons subject to due diligence and authorities

Reasons of other persons subject to due diligence/authorities for submitting SARs

Number of SARs and share of total volume in 2011



Among other persons subject to due diligence (lawyers, auditors, investment and insurance undertakings, asset management companies, traders in valuable goods) and authorities, 86 (90%) of the total of 96 SARs were submitted pursuant to internal compliance. No comparison with previous years is available, since the reporting year was the first time a statistically significant number of SARs was submitted by this group of persons subject to due diligence.

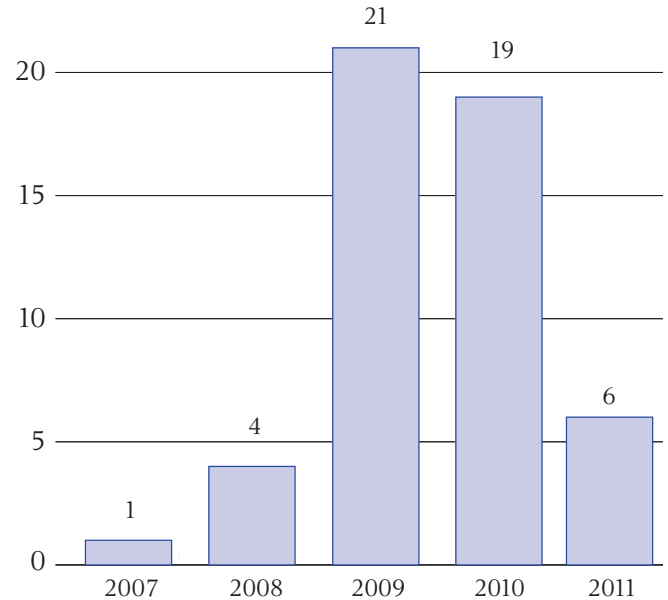
Evaluation

The high share of SARs submitted pursuant to internal compliance is a good indication of the smoothly functioning system of combating abuse in this group of persons subject to due diligence.

2.3 Market Abuse Act (MAA)

Reports pursuant to the MAA

Number of reports 2007–2011



The six reports submitted in the reporting year make up only about one third of the volume of reports submitted last year. Four were submitted by banks, two by professional trustees.

Evaluation

Insider offenses and market manipulation (market abuse) became predicate offenses in the reporting year. Accordingly, SARs solely pursuant to the Due Diligence Act are more likely to have been submitted.

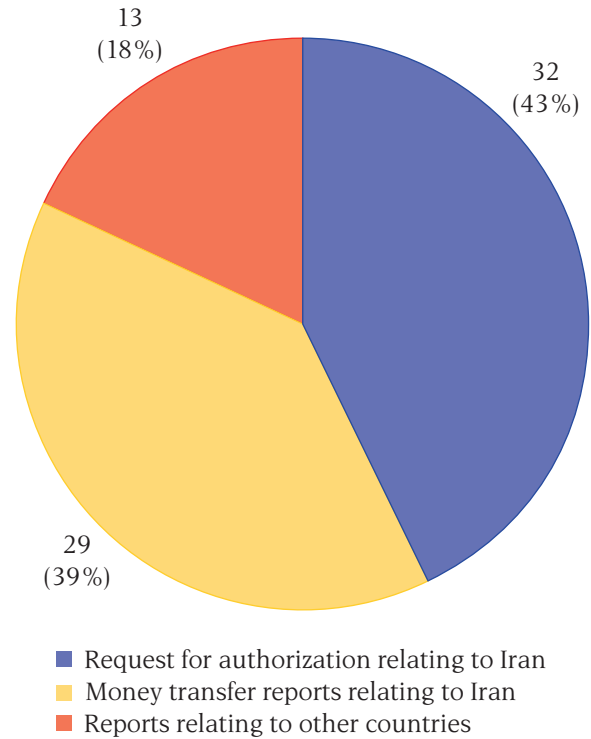
2.4 Law on the Enforcement of International Sanctions (ISA)

Based on the ordinances governing enforcement of international sanctions in Liechtenstein, 74 reports and requests for authorization were submitted in Liechtenstein in the reporting year. 61 of these concerned Iran, the remaining 13 Egypt, Libya, Zimbabwe, Syria, and Tunisia.

The relatively large number of reports and requests concerning Iran is due to the fact that according to article 12(1) of the Ordinance of 1 February 2011 on Measures against the Islamic Republic of Iran (Iran Ordinance), all money transfers involving Iran in excess of CHF 10,000 must be reported and all those in excess of CHF 50,000 are subject to authorization. This obligation also applies when there is no suspicion that an Iranian person involved in the money transfer is linked to a person, undertaking, or organization referred to in the annex of the Ordinance. Based on the Iran Ordinance, 32 requests for authorization and 29 reports of money transfers exceeding CHF 50,000 or between CHF 10,000 and CHF 50,000 were received. Of the 32 requests, 22 were authorized, while the remainder was withdrawn before any decision was taken.

Reports and requests for authorization under the ISA

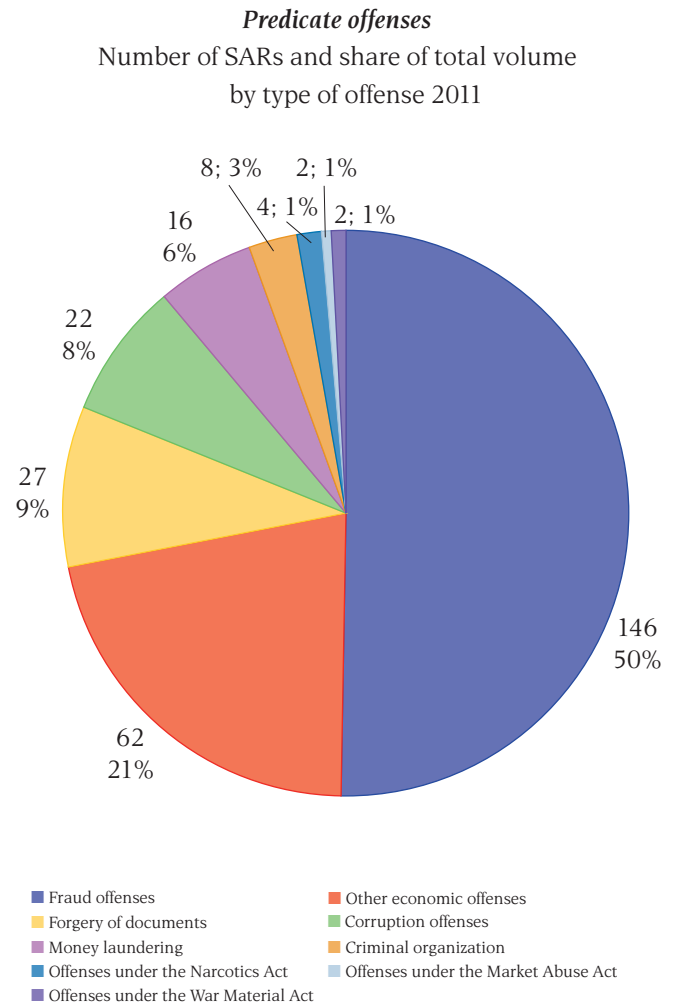
Number of reports and share of the total volume according to various criteria 2011



3. Analysis of offenses

The analysis of offenses provides information regarding predicate offenses (type, number, and location of commission) as well as regarding the nationality and domiciles of the contracting parties and the beneficial owner. These statistics are limited to SARs pursuant to the Due Diligence Act.

3.1 Predicate offenses



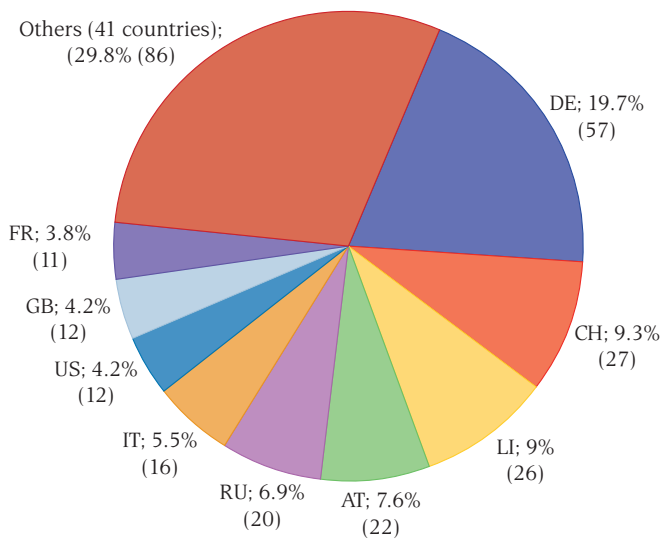
Evaluation

As in previous years – and as in neighboring countries – economic offenses are the most frequent source of allegedly criminally obtained assets. The significant increase of offenses relating to documents by nearly one per year on average over the past 9 years to 27 offenses in the reporting year is due to the inclusion of forgery of documents in the catalogue of predicate offenses. Also significant is the increase of corruption offenses by 11 per year on average over the past 9 years to 22 in the reporting year. Here, the increasing sensitization with regard to the topic of corruption as well as geographical developments in the composition of the client structure of Liechtenstein persons subject to due diligence is likely to play a role.

3.2 Nationality/domicile of contracting parties

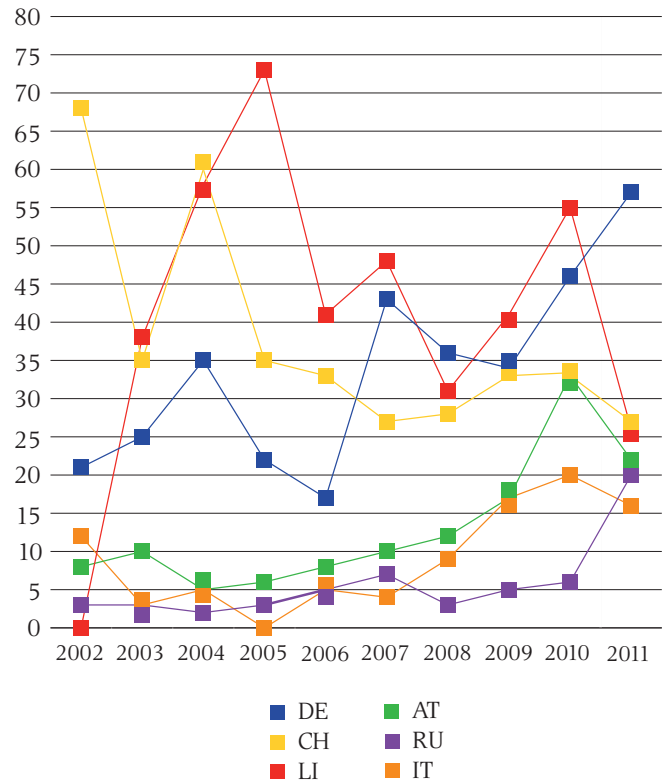
The number of contracting parties with German nationality or domicile exceeded those with Swiss nationality or domicile for the fifth year in a row, and for the first time in 9 years also those with Liechtenstein nationality or Liechtenstein domicile.

Nationality/domicile of contracting parties
Number of SARs and share of total volume
by country 2011



Nationality/domicile of contracting parties

Number of SARs by (selected) countries 2002–2011

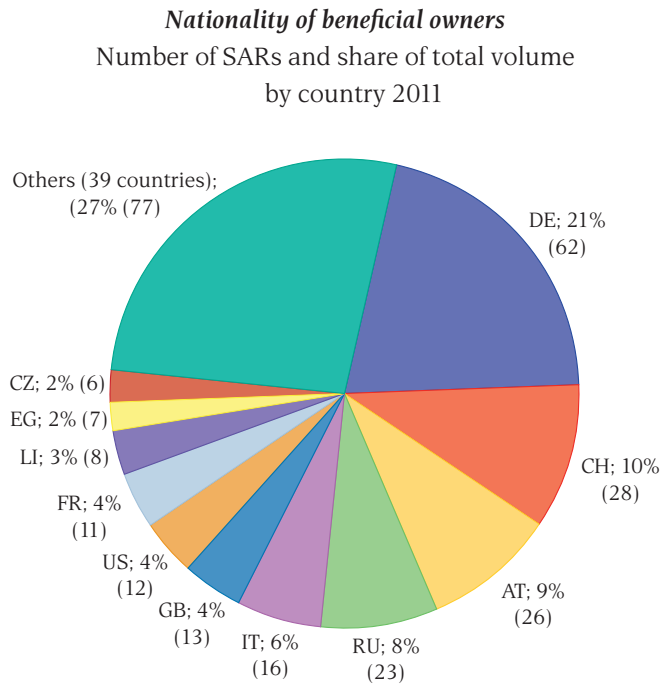


Evaluation

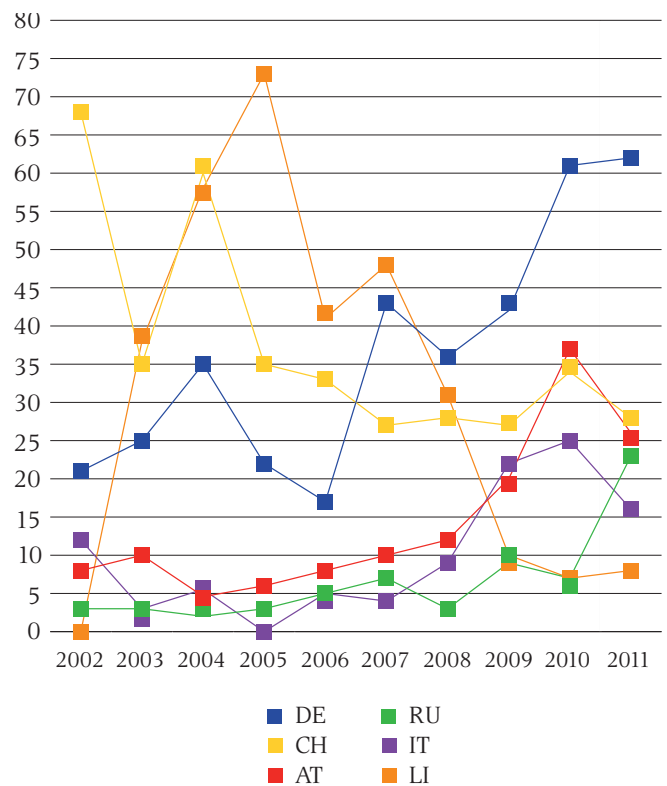
The decrease in contracting parties with Liechtenstein nationality or domicile is likely due to the significant decrease of companies domiciled in Liechtenstein, the increase of contracting parties with Russian nationality or domicile, and the changes in the client structure in the Liechtenstein financial center.

3.3 Nationality of beneficial owners

The statistics on the nationality of the beneficial owners mentioned in the SARs provide insight into the geographical origin of persons suspected of directly or indirectly placing illegally obtained assets in the Liechtenstein financial center in the reporting year.



Nationality of beneficial owners
Number of SARs by (selected) countries 2002–2011



Comparing the nationalities of the beneficial owners indicated in the SARs, the most have come from Germany since 2008. In the same time, the number of beneficial owners from Liechtenstein has declined substantially.

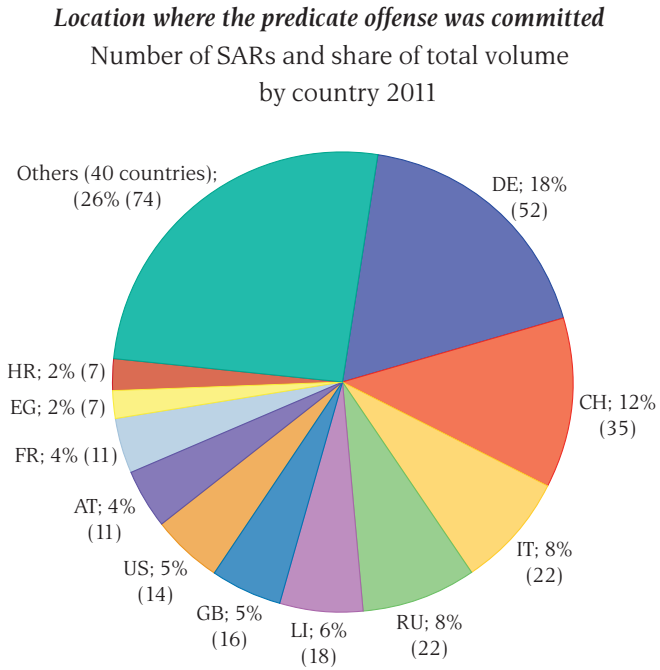
Evaluation

The frequency of German, Swiss, Austrian, and Italian beneficial owners mentioned in connection with SARs is primarily due to geographic proximity to Liechtenstein. It is also an expression of the economic links among the financial centers of these countries. The increase of beneficial owners with Central or Eastern European nationality is likely due to the change of the client structure in the Liechtenstein financial center.

3.4 Location of the predicate offense

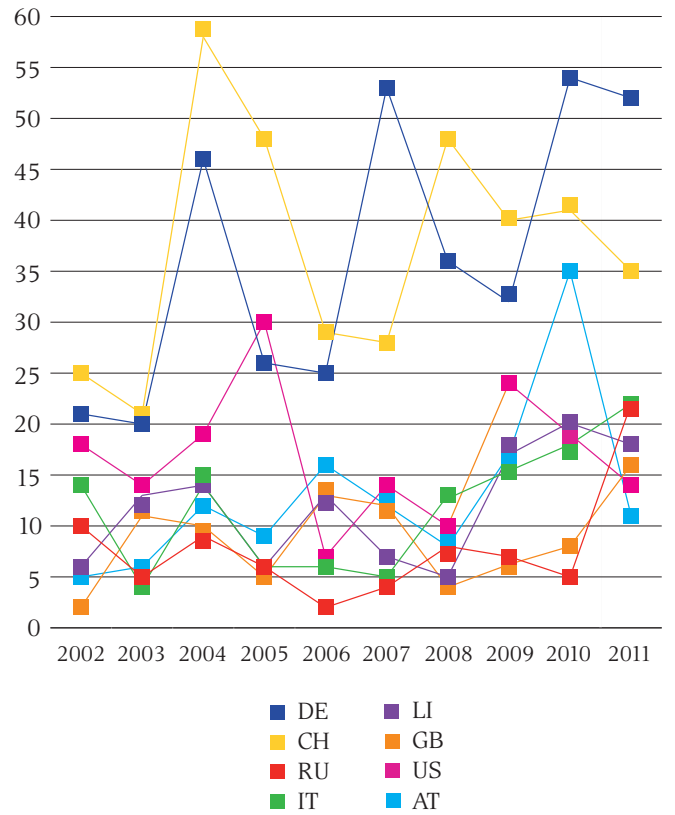
The following diagrams show the countries in which the punishable acts underlying the SARs were committed. The data is based on the preliminary analysis of the Financial Intelligence Unit.

Location of the suspected offense, by number of SARs



Location where the predicate offense was committed

Number of SARs by (selected) countries 2002–2011



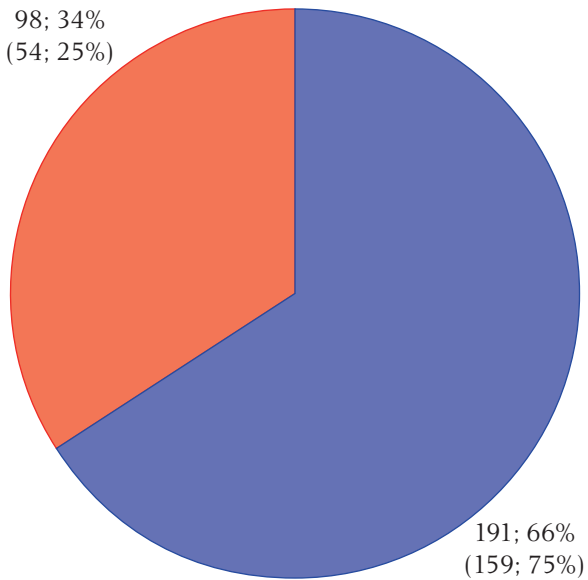
Evaluation

The figures on possible places of commission of the offense naturally show similar developments as the figures on the domiciles of beneficial owners. Differences arise from the fact that not all possible perpetrators committed offenses in their countries of domicile.

4. Reports forwarded to other authorities

SARs forwarded to the Office of the Public Prosecutor

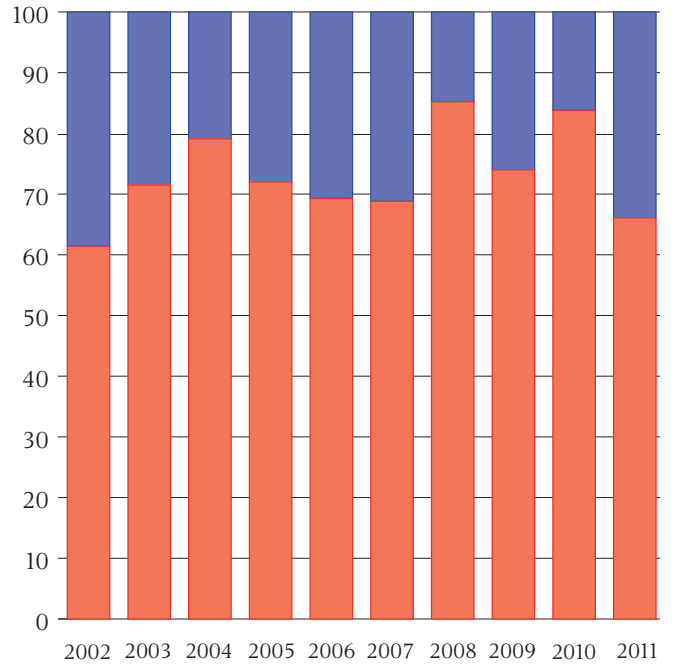
Number of SARs and share of total volume 2011
(Comparison with average figures 2002–2011)



■ Forwarded to OPP ■ not Forwarded to OPP

SARs forwarded to the Office of the Public Prosecutor

Share of forwarded SARs in terms of total volume
2002–2011



■ Forwarded to OPP
■ Not Forwarded to OPP

Office of the Public Prosecutor

In the reporting year, 66.1 % of SARs were forwarded to the Office of the Public Prosecutor (2010: 83.8 %); the forwarding rate is thus slightly lower than the average (74.7 %) of the 2002–2010 comparison period.

Financial Market Authority

Of the six reports submitted in the reporting year pursuant to article 6 MAA, five were forwarded to the FMA.

Evaluation

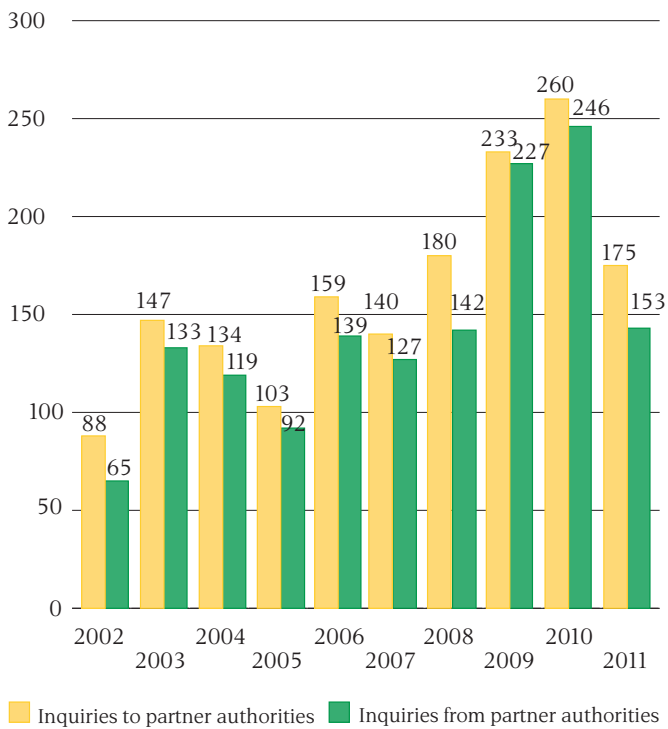
The FIU forwards reports to the Office of the Public Prosecutor or the FMA if the FIU's analysis substantiates the suspicion. The slight decrease in the rate of reports forwarded is in part due to introduction of the reporting obligation prior to initiation of the business relationship. These reports tend to be forwarded less frequently.

5. International cooperation

In the reporting year, the FIU received 153 (previous year: 246) inquiries from 32 (previous year: 36) different national financial intelligence units. In the same period, the FIU submitted 175 (previous year: 260) inquiries to 34 (previous year: 37) different partner authorities. Most of the information was again exchanged with the authorities of Germany, Switzerland, Italy, Austria, Russia, the United Kingdom, and the United States.

Inquiries to/from foreign partner authorities

Number of inquiries 2002–2011



IV. Annex

1. Index of countries⁹

ISO Code	Name of country
AT	Austria
BR	Brazil
CA	Canada
CH	Switzerland
CL	Chile
CO	Colombia
CY	Cyprus
CZ	Czech Republic
DE	Germany
EG	Egypt
FR	France
GB	United Kingdom
HR	Croatia
HU	Hungary
IT	Italy
LB	Lebanon
LI	Liechtenstein
LV	Latvia
NL	Netherlands
PL	Poland
RO	Romania
RU	Russian Federation
SE	Sweden
SI	Slovenia
SK	Slovakia
UA	Ukraine
US	United States
VG	British Virgin Islands

2. Abbreviations

AML	Anti-money laundering
CDD	Customer due diligence
CFT	Combating the financing of terrorism
DDA	Liechtenstein Law of 11 December 2008 on Professional Due Diligence to Combat Money Laundering, Organized Crime, and Terrorist Financing (Due Diligence Act)
DP	Domestic proceedings
EAG	Eurasian Group of Money Laundering
EEA	European Economic Area; Liechtenstein became a full member of the EEA on 1 May 1995
Egmont Group	The Egmont Group is the worldwide association of national financial intelligence units. It currently has 127 members. It supports and promotes mutual information exchange at the international level and has played a significant role in AML/CFT for over a decade. The Liechtenstein Financial Intelligence Unit has been a member since 12 June 2001.
EU	European Union
FATF	Financial Action Task Force; the FATF was established in 1989 by the G7 and the European Commission as an expert group with the mandate to analyze methods of money laundering and to develop AML measures. It currently consists of 36 members, including 34 states and two international bodies (the European Commission and the Gulf Cooperation Council). The main goal of the FATF is to develop and promote AML/CFT principles. For this purpose, the FATF has adopted 40 recommendations on money laundering and 9 special recommendations on terrorist financing.
FIU	Financial Intelligence Unit
FIU Act	Liechtenstein Law of 14 March 2002 on the Financial Intelligence Unit
FMA	Financial Market Authority Liechtenstein
FT	Financing of terrorism
IMF	International Monetary Fund
ISA	Liechtenstein Law of 10 December 2008 on the Enforcement of International Sanctions
LA	International legal assistance
MAA	Liechtenstein Law of 24 November 2006 against Market Abuse in the Trading of Financial Instruments (Market Abuse Act)
MER	Mutual Evaluation Report
Moneyval	Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MOU	Memorandum of Understanding
OECD	Organisation for Economic Co-operation and Development
OPP	Office of the Public Prosecutor

⁹ Source: www.iso.org