



FINANCIAL INTELLIGENCE UNIT
OF THE PRINCIPALITY OF LIECHTENSTEIN

Annual Report 2012

Financial Intelligence Unit
of the Principality of Liechtenstein

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Table of contents

I.	Foreword	5
II.	Activities of the FIU	6
1.	Introduction	6
2.	Legal bases	6
2.1.	<i>Overview</i>	6
2.2.	<i>Submission of suspicious activity reports</i>	6
2.3.	<i>Enforcement of international sanctions</i>	7
3.	Future developments	7
4.	International cooperation	8
4.1.	<i>Forms of cooperation</i>	8
4.2.	<i>Egmont Group</i>	8
4.3.	<i>Financial Action Task Force</i>	8
4.4.	<i>MONEYVAL</i>	9
4.5.	<i>EU/EEA</i>	9
5.	Typologies	9
5.1.	<i>„Lucrative income opportunities with little work“</i>	9
5.2.	<i>Insufficient explanation of origin of assets</i>	9
5.3.	<i>Insufficient explanation of use of assets</i>	10
III.	Statistics	11
1.	Overall view	11
2.	Suspicious activity reports under the DDA	12
2.1.	<i>Evaluation by sector</i>	12
2.2.	<i>Reason for submitting a suspicious activity report</i>	12
2.3.	<i>Statistics according to offence</i>	14
2.4.	<i>Forwarding of suspicious activity reports to the Office of the Public Prosecutor</i>	16
2.5.	<i>International cooperation</i>	17
3.	Reports under the Market Abuse Act	17
4.	Reports and applications under the International Sanctions Act	18
IV.	Abbreviations	19

It's not enough that we do our best;
sometimes we have to do what's required.

Winston Churchill

I. Foreword

Dear Readers,
Dear Colleagues,

Each year, the Financial Intelligence Unit (FIU) publishes a report providing an account of its activities over the past year. This report also serves as an instrument to support reporting entities in complying with their reporting obligations. This tradition will be continued also under the new management of the FIU. This is a good opportunity to thank René Brülhart for his many years of successful management of the FIU and at the same time to welcome the new Deputy Director of the FIU, Michael Schöb, who began his work on 1 January 2013.

In terms of content, the year 2012 was marked by continuity. The number of suspicious activity reports (SARs) and other reports submitted remained high at practically the same level – detailed information can be found in the statistics part of this report. While the number of SARs increased slightly, the number of reports under the Sanctions Act fell significantly. The share of persons from Western Europe appearing in the SARs declined slightly: the picture is becoming more international. A change has also been seen in regard to the suspected predicate offences underlying the SARs. The FIU's analysis work indicates that potential offences relating to corruption have increased. This is in part due to the fact that the fight against corruption – especially also in the wake of the Arab Spring – has gained importance worldwide. Liechtenstein has the requisite set of instruments at its disposal to effectively combat abuse of the financial centre also for such offences.

In addition to these operational activities, preparations for the coming country assessment by the International Monetary Fund and MONEYVAL took up much time. This included coordinating the revision of the Due Diligence Act, the Criminal Code, and the Code of Criminal Procedure. These legislative amendments entered into force on 1 February 2013.

In the year under review, the Financial Intelligence Unit developed instructions reflecting the practice of the FIU and providing assistance to reporting entities when reporting to the FIU. In this connection, the reporting forms have also been revised and a new website launched, containing all relevant information.

In 2012, the new international standard for combating money laundering and terrorist financing (FATF standard) entered into effect. Apart from the country assessment (still on the basis of the old standard), timely and practice-oriented implementation of this new standard will be a challenge in the coming year. Preparatory work in this regard – especially in view of the inclusion of serious tax offences as predicate offences – has already begun. The FIU will also carry out these tasks in its function as chair of the working group on money laundering, terrorist financing, and proliferation.

The successful activities of the FIU in combating abuse would not be possible without the outstanding commitment of my staff members. I would like to take this opportunity to express my special gratitude to them.

Daniel Thelesklaf
Director of the FIU

II. Activities of the FIU

6 | 1. Introduction

In addition to other useful information, the website <http://www.fiu.li> contains forms and the instructions on the submission of suspicious activity reports, other reports, and applications to the Financial Intelligence Unit (FIU). The instructions serve as a guide for reporting entities and, in addition to presenting the most important legal bases, include an illustration of practical aspects and references to the applicable standards.

2. Legal bases

2.1. Overview

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

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

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

Within the framework of the special ordinances on the Law on the Enforcement of International Sanctions (International Sanctions Act, ISA), the FIU also carried out various enforcement functions such as receiving reports in this domain.

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

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

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

2.2. Submission of suspicious activity reports

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

Balancing of prohibition to disclose information and freezing of assets

Already before an SAR is submitted, the reporting entities may not carry out transactions of which they know or suspect that they are connected with money laundering, predicate offences of money laundering, organized crime, or terrorist financing. By submitting an SAR, the reporting entities immediately assume two obligations: (1) they may not disclose information about the submission to third parties and especially to clients affected by the SAR (prohibition to disclose information), and (2) they may not take any actions for initially five business days that might obstruct or interfere with any orders pursuant to § 97a of the Criminal Code (freezing of assets is of special relevance in this connection).

The FIU is aware that these two obligations may conflict in practice. The Due Diligence Ordinance accordingly also provides that the FIU may, upon application, grant exemptions in this regard. This is generally done in writing and within at most 24 hours. Contact may be made both by telephone and by fax or mail. In those cases where the FIU cannot be reached on an exceptional basis – either due to urgency (such as in the case of over-the-counter business) or outside business hours – the prohibition to disclose information must necessarily be complied with. This is true especially if the transaction concerns the release of limited amounts of money (generally CHF 15,000 or less, in justified exceptional cases at most 10 % of the maximum assets). In all such cases, the paper trail (traceability of the outflow of assets) must be guaranteed to the extent possible. This procedure is compatible with the international standards recognized as benchmarks by Liechtenstein (FATF Recommendations and EU Money Laundering Directive), which focus on tracing the beneficiaries of such actions and accordingly place greater weight on the prohibition to disclose information than on the freezing of assets.

Right of the FIU to receive information

According to article 4 of the FIU Act, the FIU obtains information necessary to detect money laundering, predicate offences of money laundering, organized crime, and terrorist financing. Due diligence legislation further specifies these powers vis-à-vis reporting entities: article 26, paragraph 2 of the Due Diligence Ordinance sets out that the FIU may demand further information from the reporting entity submitting the SAR. All additional information

may be demanded in this regard concerning persons or fact patterns which, in the broadest sense, are connected with the SAR submitted; especially when the suspicion of the reporting entity does not refer to that person.

Any professional secrecy does not prevent the reporting entity from providing the demanded information to the FIU, since the reporting obligations set out in the Due Diligence Act as special regulations take precedence over professional secrecy. The exclusion of criminal and civil liability under article 19 DDA refers in this regard to all information transmitted in the context of the SAR, irrespective of whether the information was originally transmitted to the FIU or on the FIU's request.

Forwarding of SARs to the Office of the Public Prosecutor
According to article 5, paragraph 1(b) of the FIU Act, the FIU forwards SARs submitted pursuant to article 17, paragraph 1 DDA to the Office of the Public Prosecutor if the analysis conducted by the FIU substantiates the suspicion of money laundering, predicate offences of money laundering, organized crime, or terrorist financing.

Forwarding of an SAR to the Office of the Public Prosecutor is only one of the measures available in a specific case. Apart from that, the FIU may also further analyse the fact patterns. The SAR need not necessarily be forwarded before expiry of the 5-day period under article 18, paragraph 2 DDA, but may also be forwarded at a later time. The reporting entity submitting the SAR is informed when the SAR is forwarded.

If the SAR is not forwarded, this does not necessarily mean that the suspicion no longer exists or that it has been eliminated. The SAR may also be forwarded at a later time. If, for instance, the Office of the Public Prosecutor or the Court of Justice does not impose a measure before the 5-day period under article 18, paragraph 2 DDA expires, the reporting entity is generally no longer prohibited from taking actions that might obstruct or interfere with orders under § 97a of the Code of Criminal Procedure.

2.3. Enforcement of international sanctions

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

These ordinances generally grant the FIU the power to receive reports of frozen assets and economic resources (e.g. article 6, paragraph 1 of the Ordinance on Measures against Certain Persons from the Former Federal Republic of Yugoslavia and article 6, paragraph 1 of the Ordinance on Measures against Syria). According to some ordinan-

ces, the FIU additionally must monitor enforcement of the coercive measures and especially review requests for exemptions as well as forward them with a recommendation to the Government for decision (e.g. article 5, paragraph 1 of the Ordinance on Measures against Syria).

As was the case already in 2010 and 2011, most reports and requests during the reporting year were again pursuant to the Ordinance on Measures against the Islamic Republic of Iran. According to article 12, paragraphs 1 and 2 of that ordinance, money transfers between CHF 10,000 and CHF 50,000 must be reported to the FIU, and those exceeding CHF 50,000 are subject to approval. Requests for approval are reviewed by the FIU and forwarded to the Government with a recommendation. The Government grants approval if the money transfer does not violate the ordinance or the goods control or war material legislation.

3. Future developments

The Financial Action Task Force (FATF) has revised the global standard for combating money laundering and terrorist financing. The most important changes adopted by the FATF members on 16 February 2012 are:

- Strengthening of the risk-based approach: The individual states and reporting entities must assess the risk to what extent they might be misused for purposes of money laundering and terrorist financing, and they must use that assessment to derive the depth of their countermeasures. In the case of products and services where the risk must be assessed as higher, enhanced due diligence obligations apply consistently. In business relationships with lower risks, the measures may be reduced accordingly, resulting in cost-savings.
- Strengthening of the transparency of companies and legal entities: The norms applicable to identification of beneficial owners are strengthened worldwide and elaborated in more detail.
- Strengthening of international cooperation in detecting, confiscating, and returning illegally obtained assets, especially mutual legal assistance and administrative assistance, and cooperation among FIUs.
- Stronger measures for specific threats: Here, the focus is on the non-proliferation of weapons of mass destruction, corruption, terrorist financing, and serious tax crime.
- Clarification of the existing standard: Adjustments in areas that have given rise to interpretation problems and unequal treatment of assessed states.

In the wake of adoption of the new FATF Recommendations, the EU took up its work on revision of the EU legal bases against money laundering. In February 2013, the Commission presented a proposal for a new Money Laun-

dering Directive and a new regulation on the transfer of funds.

The next country assessment of Liechtenstein (4th round) will be carried out in 2013 by the International Monetary Fund (IMF). As part of this assessment, the IMF will review implementation of the most important recommendations and the measures taken in regard to the recommendations in the 2007 country assessment considered to be insufficiently implemented. The IMF report on Liechtenstein will then be considered in a MONEYVAL plenary meeting and is expected to be adopted in spring 2014. For this purpose, the IMF experts will be in Liechtenstein for two weeks in June 2013.

4. International cooperation

4.1. Forms of cooperation

In cases involving foreign countries, the FIU works together in a targeted manner with other FIUs and requests them to provide information or transmit documents where necessary for analysis of a case. It grants requests to this effect from abroad if the conditions set out in article 7, paragraph 2 of the FIU Act are met. Exchange of information is governed by the national legislation and rules of the Egmont Group.

International cooperation is not limited to case-specific exchange of information, however, but rather also encompasses a general exchange of information and participation in international working groups and organizations, such as expert work for the International Monetary Fund, the World Bank, and the United Nations. During the reporting year, the FIU was also represented at the Arab Asset Recovery Forum initiated by the G8 and the international forum on asset recovery (Lausanne VI) organized by the Swiss Federal Department of Foreign Affairs (FDFA). The FIU was also appointed by the Government as the national UNODC asset recovery focal point.

4.2. Egmont Group

The FIU has been a member of the Egmont Group of Financial Intelligence Units since 12 June 2001. This group is the worldwide gathering of national financial intelligence units, currently with a membership of 131. It governs and promotes mutual exchange of information at the international level and plays an important role in combating money laundering and terrorist financing. The FIU takes a lead role in some of the projects of the Egmont Group. Daniel Thelesklaf, the Director of the FIU, is the newly elected chairman of one of the five permanent groups and accordingly has a seat on the Egmont Group Committee.

At the bilateral level, the focus of the FIU has been on cooperation in concrete cases. To further consolidate and

clearly regulate cooperation, 16 memoranda of understanding have been concluded in the past years. Further agreements with several G20 countries and other important international financial centres are in preparation.

4.3. Financial Action Task Force

The Financial Action Task Force (FATF) is an international working group with the mandate to analyse methods of money laundering and terrorist financing, to develop a worldwide standard to combat them, and to regularly monitor its member states with regard to implementation of these standards. The FATF is headquartered at the OECD in Paris, but is autonomous within the OECD. The FATF is composed of 34 member states (the OECD members and the largest financial centres) and two international organizations (the European Commission and the Gulf Cooperation Council).

The FATF also has a procedure for identifying states that have not implemented the worldwide standard or have done so only insufficiently. This procedure leads to a cascade of name lists, with which countries are persuaded to bring about an improvement of the situation in dialogue with the FATF. If this does not occur, the FATF calls upon the member states (and other states) to seize countermeasures. Currently, this call applies to Iran and North Korea.

On 16 February 2012, the FATF adopted the revision of the recommendations to combat money laundering, terrorist financing, and now also proliferation. The FIU was involved in this work through its Director. The FIU also participates actively in the FATF Typologies Working Group.

4.4. MONEYVAL

MONEYVAL is a committee of experts of the Council of Europe founded in 1997 to support the member states in their fight against money laundering and terrorist financing. MONEYVAL conducts a process of peer reviews. This 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). During the reporting year, Daniel Thelesklaf was one of the evaluators in the Monaco country assessment.

The last country assessment of Liechtenstein, which the International Monetary Fund (IMF) conducted for MONEYVAL, took place in 2007. Numerous of the deficits identified at that time in Liechtenstein's implementation of the FATF Recommendations have been remedied, especially in the context of national implementation of the Third EU Money Laundering Directive. Other recommendations were tackled during the revision of the Due Diligence Act, the Criminal Code, and the Code of Crimi-

nal Procedure launched in February 2012. The fourth round of MONEYVAL's country evaluation of Liechtenstein, which will again be conducted by the IMF, starts in June 2013 with a two-week visit by the evaluators and ends at the MONEYVAL spring plenary meeting in 2014. As the successor of former FIU Director René Brühlhart, Daniel Thelesklaf took over as head of Liechtenstein's MONEYVAL delegation at the Council of Europe in the reporting year.

4.5. EU/EEA

The FIU represents Liechtenstein in the FIU Platform of the EU/EEA member states. In this body, the FIU-relevant preparatory work for the Fourth EU Money Laundering Directive is discussed. A draft of this new EU directive was published in February 2013.

5. Typologies

The following case studies from the practice of the FIU are intended primarily to sensitize reporting entities. To prevent inference from being drawn regarding the involved persons, the cases have been anonymized and changed slightly. The fact patterns exhibit several indicators of money laundering, predicate offences of money laundering, organized crime, and terrorist financing as also contained in the Annex of the Due Diligence Ordinance since 1 February 2013.

5.1. „Lucrative income opportunities with little work“

The FIU has repeatedly learned of fact patterns in which persons residing in Liechtenstein or adjacent regions transferred sums between CHF 100 and 10,000 to recipients in Africa or the Middle East in short intervals over a longer period of time. The services of wire transfer providers were used to make the transfers. At the same time, it was observed that these persons themselves repeatedly received money from persons in England, the United States, or Germany.

The persons indicated that they made the payments to support acquaintances in need. This information was not persuasive, however, since instead of making a single transfer of CHF 5,000, for instance, they transferred several partial amounts over the course of a month to the same person, even though this made no economic sense given the much higher transaction costs. Research then indeed showed that these persons had responded to newspaper advertisements promising them a supposedly lucrative income opportunity with little work.

The FIU analysis showed that the persons made accounts available to the scammers and provided services to them, often without being aware of the true intentions of their clients. The persons were asked to withdraw the money transferred to their accounts in cash and then to trans-

fer the money using wire transfer providers to specific recipients in Africa, in order to conceal the origins of the assets. Whether the persons reported made themselves guilty of money laundering through their actions will be investigated on a case-by-case basis.

5.2. *Insufficient explanation of origin of assets*

A Liechtenstein bank submitted a justified suspicious activity report, since its contracting party, a trust company, was unable to provide a plausible explanation for the origin of the deposited assets.

The trust company had a euro account and a safety deposit box opened for a Liechtenstein foundation at the reporting Bank. According to the trust company, the beneficial owner of the foundation's assets was a client from Eastern Europe living in Southern Spain. Her Spanish domestic partner had given her assets for retirement provision. The domestic partner was said to be seriously ill and would most probably die before the client. The Liechtenstein foundation was said to be necessary to protect the client's claims, since the children of the Spanish domestic partner might contest the client's retirement provision. As proof, a notarized deed of gift written in Spanish in the amount of EUR 1,000,000 was presented. The bank was then handed over EUR 200,000 in cash by a private security firm for deposit on the account as well as 20 kg gold for safekeeping in the safety deposit box.

The bank requested that the trust company provide payment receipts for the deposited assets. After considerable back and forth, the trust company conceded that this would not be possible, since the assets had come from a safety deposit box at another bank. Spanish lawyer, who had worked together with the trust company for a long time, was said to be extremely trustworthy, had brokered this deal, and had assured the trust company that while no taxes had been paid on the assets in Spain, they had originated from legal trading business and their acceptance was therefore completely legal. The lawyer would also confirm this in writing.

The bank did not accept this explanation, since neither it nor the trust company had ever seen the client or her domestic partner. The transaction was conducted via two intermediaries, which made risk assessment very difficult. There was absolutely no paper trail. The connection between the deed of gift and the assets was not proven. Only the amount of the gift corresponded roughly to the sum of the deposited assets, but even that not precisely. Finally, the client originally came from a country with a crime rate known to be high.

After conducting its analysis, the FIU forwarded the SAR submitted by the bank to the Office of the Public Prosecutor. On the basis of the information available, it was able to ascertain that the client of the trust company and

10 | beneficial owner of the account was being prosecuted in her home country for several fraud and embezzlement offences. A connection between these acts and the assets could not be ruled out.

5.3. Insufficient explanation of use of assets

In one case, the FIU received three SARs, two of which were submitted by banks and one of which by a trust company.

The trust company submitted an SAR because the use of the assets could not be reconciled with the information contained in the relevant business profile. The foundation assets in question were, according to the purpose of the foundation, to be preserved for the offspring of the beneficial owner. In fact, the assets were used to pay for stays in luxury hotels and cosmetic surgery in the United States. The transactions could be carried out because, in addition to the representatives of the trust companies, other persons had the right to sign on the account in question. Additionally, the persons making use of the services were politically exposed persons, including the wife of a minister of a third country. Also pursuant to consultations with the bank maintaining the account for the foundation managed by the trust company, the trust company decided to submit an SAR.

A second bank submitted an SAR in relation to the same fact pattern, because evidently pass-through transactions had been carried out on an account maintained by it. A manufacturer of flight training airplanes for civilian and military purposes made payments to a foundation – apparently for the preparation of opinions by the beneficial owner of the foundation. The amounts were transferred to a different foundation already one day after they were received. Clarifications by the bank indicated that the beneficial owner himself was employed by the company making the payments, which made the background of the payments appear even less plausible to the bank.

The analysis carried out by the FIU on the basis of the SAR showed that evidently bribery payments by the manufacturer of the flight training airplanes were to be concealed using two companies especially established for that purpose. The money was used to fund cosmetic surgery and stays in exclusive locations. The persons benefiting from these payments were close to the minister of defence of the purchasing country.

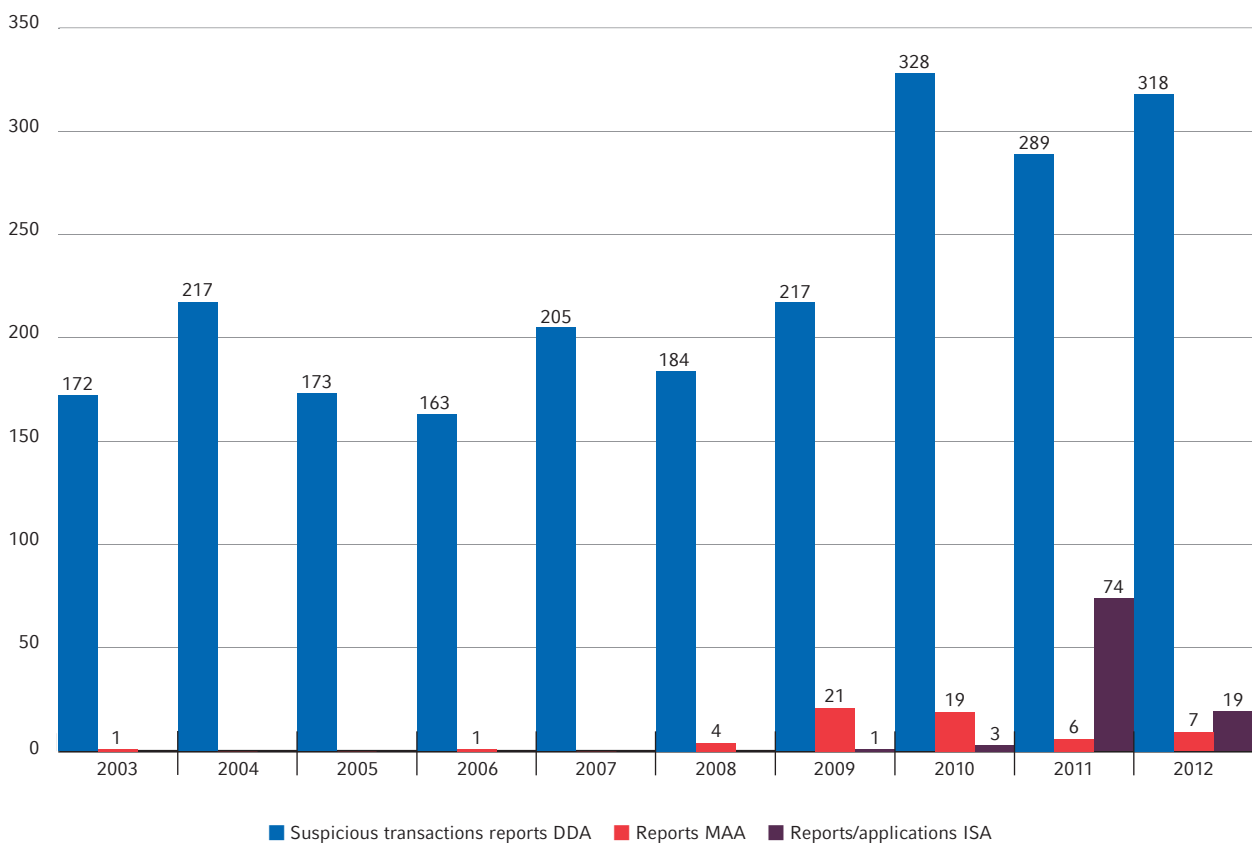
III. Statistics

1. Overall view

During the reporting year 2012, which corresponds to the calendar year, a total of 344 SARs, reports, and applications were submitted to the FIU under the DDA, the MAA, and the ISA. This sum corresponds roughly to the figures from the two previous years and is about 100 greater than the average of 242 over the past ten years. While SARs under the DDA increased by nearly 30 over the previous

year and accordingly almost reached the record of the year 2010, the number of reports and applications under the ISA fell substantially since the previous year. The increase in SARs under the DDA does not mean that more money laundering occurred in Liechtenstein. Rather, the higher number is an expression of the fact that sensitization has further improved, that trust in the reporting system continues to rise, and that the clarification of questions of practice by the FIU is bearing fruit.

All SARs, reports, and applications for approval



2. Suspicious activity reports under the DDA

This terms covers the SARs submitted to the FIU by reporting entities pursuant to article 17 DDA in the case of suspicion of money laundering, a predicate offence of money laundering, organized crime, or terrorist financing.

2.1. Evaluation by sector

The SARs pursuant to the DDA received by the FIU in the years 2010 to 2012 came from the following sectors:

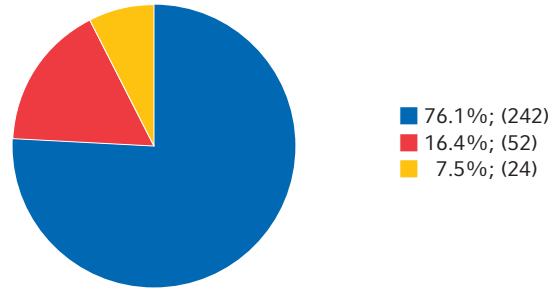
Sector/reporting year	2010	2011	2012
Banks	213	126	199
Professional trustees/authorized commercial agents (180a PGR)	90	67	76
Insurances/insurance intermediaries	14	37	29
Auditors/auditing companies	2	31	5
Authorities	2	21	3
Asset management companies	0	1	3
Lawyers	6	5	2
Dealers in goods/auctioneers	0	1	1
Investment undertakings	3	0	0
Total:	330	289	318

2.2. Reason for submitting a suspicious activity report

The SARs are classified according to whether they

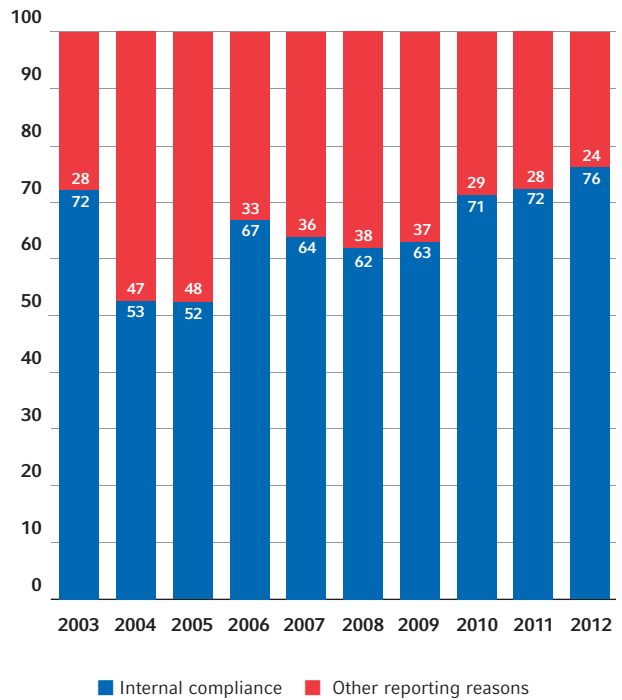
- were submitted pursuant to own clarifications of unusual or conspicuous transactions (internal compliance),
- were submitted on the basis of knowledge gained by the reporting entity pursuant to international requests for mutual legal assistance (MLA), or
- originated in independent domestic proceedings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

Reasons for submission



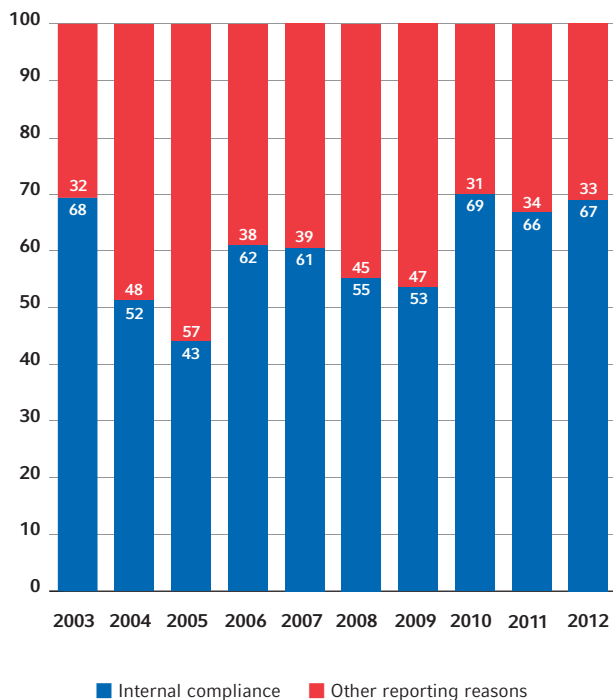
■ Internal compliance ■ International MLA ■ Independent DP

SARs pursuant to internal compliance



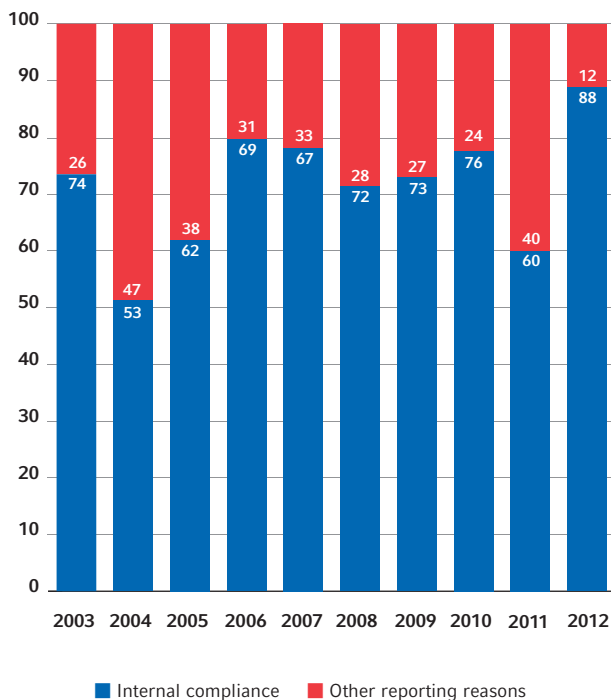
The share of SARs submitted pursuant to internal compliance is an important indicator of the effective implementation of the provisions for combating money laundering and terrorist financing. This share gratifyingly reached a new record in the reporting year and is now at a high level at 76.1%. 242 of the total of 318 SARs were submitted pursuant to internal compliance in the reporting year.

SARs pursuant to internal compliance of banks



Of the total of 199 SARs from the banking sector during the reporting year, 134 (65.9%) were pursuant to internal compliance. This share is higher than the average of 60.4% over the past ten years. This means that about two thirds of the SARs were submitted pursuant to internal compliance. This is an indication that the system for combating money laundering and terrorist financing in the banking sector functions smoothly.

SARs pursuant to internal compliance of professional trustees



During the reporting year, 67 out of a total of 76 SARs (88.2%) submitted by the professional trustee sector were pursuant to internal compliance. The increase of this share corresponds to the long-term trend and is an indication that the system for combating money laundering and terrorist financing works smoothly also in the professional trustee sector.

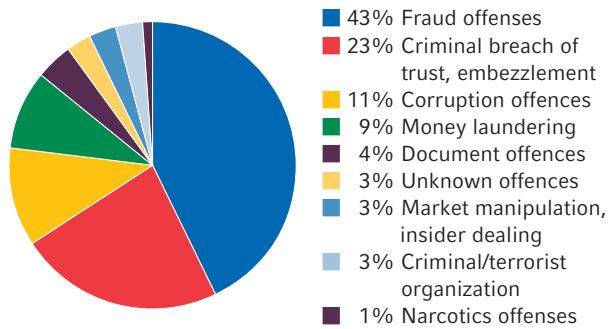
2.3. Statistics according to offence

These statistics provide information on the predicate offences (types, number, and places of commission) as well as on the nationalities of the natural persons and domiciles of the legal persons as well as the contracting parties of the reporting entities and of the beneficial owners of the assets.

Predicate offences

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

Predicate Offences

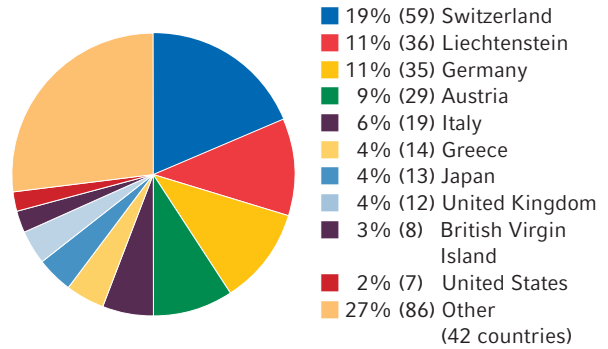


As in the previous years – and similarly to Liechtenstein's neighbouring countries – economic offences and especially fraud offences are the most frequent sources of allegedly criminally obtained assets. As in the previous year, corruption offences are relatively frequent. In this regard, increased sensitization to the problem of corruption as well as geographical developments in the composition of the client structure of Liechtenstein reporting entities are likely to play a role.

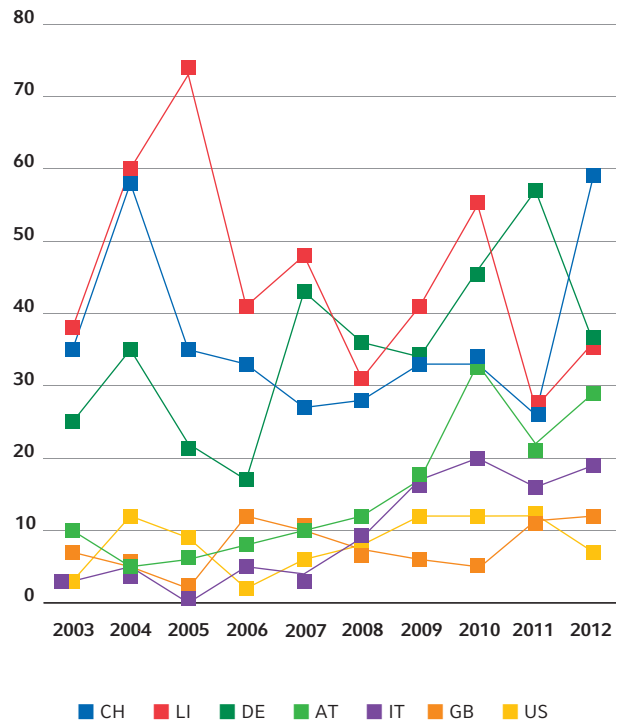
Nationality/domicile of the contracting party

These statistics provide information on the nationality (for natural persons) or domicile (for legal persons) of the contracting party of the reporting entities indicated in the SARs.

SARs by nationality or domicile of the contracting party



Number of SARs by nationality or domicile of the contracting party



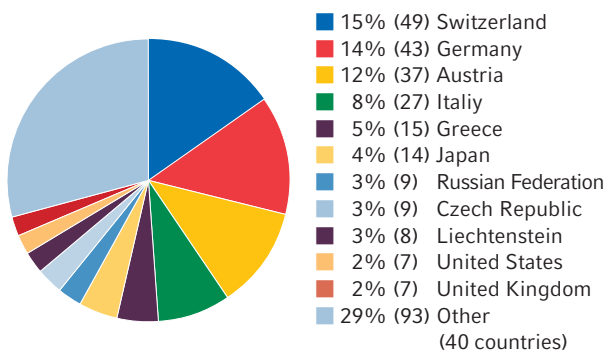
As already in the previous year, most SARs concern contracting parties from Switzerland, Liechtenstein, and Germany. Over the past years, the second neighbouring country of Liechtenstein, namely Austria, has always been in fourth place. SARs concerning contracting parties with Austrian and Italian nationality have tended to increase

over the past years. What is striking is the relatively high number of SARs concerning contracting parties with Japanese or Greek nationality in 2012. These SARs are due to one cluster of cases from each of these countries, both of which resulted in many SARs. Both nationalities had hardly appeared in the statistics before.

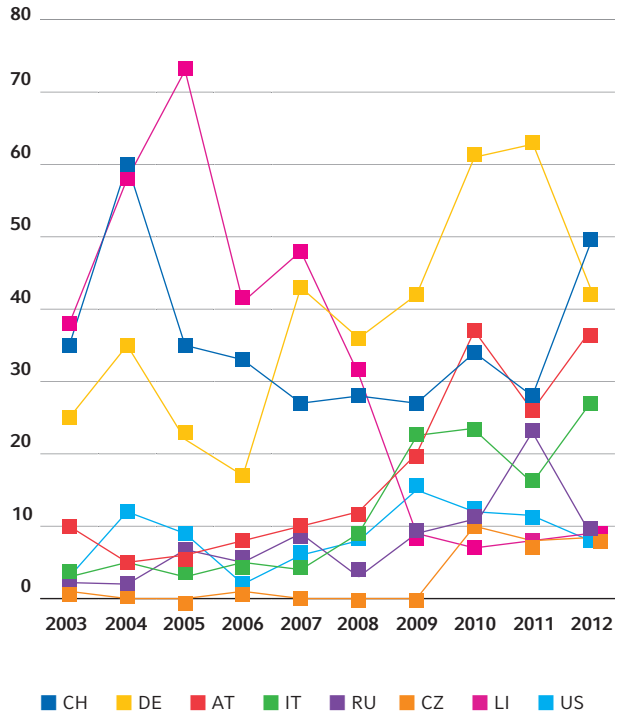
Nationality of the beneficial owners

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

SARs by nationality of the beneficial owners



Number of SARs by nationality of the beneficial owners

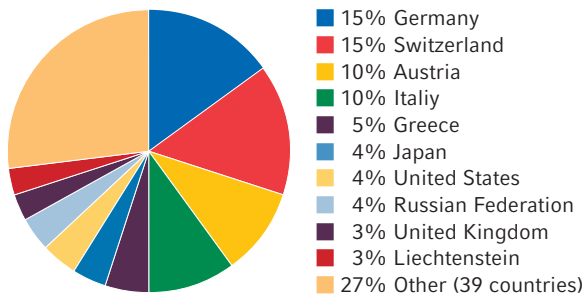


Comparing the nationality of the beneficial owners indicated in the SARs, most have originated from Switzerland, Germany, and Austria in recent years. The frequency of persons with German, Swiss, Austrian, and Italian nationality indicated as beneficial owners in SARs is due especially to the geographic vicinity to Liechtenstein. It is also a sign of the economic links among the financial centres of these countries. The slight increase of beneficial owners with Central and Eastern European nationality is likely due to the change of the client structure in the Liechtenstein financial centre.

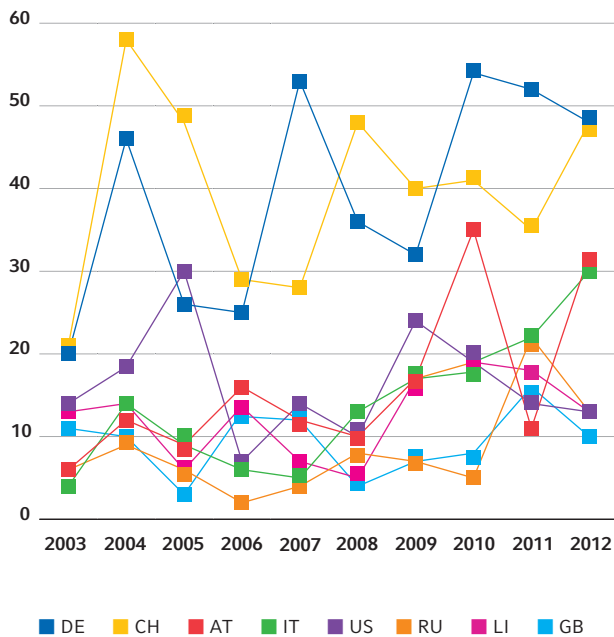
Place of predicate offence

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

SARs by country in which the predicate offence was committed



Number of SARs by country in which the predicate offence was committed

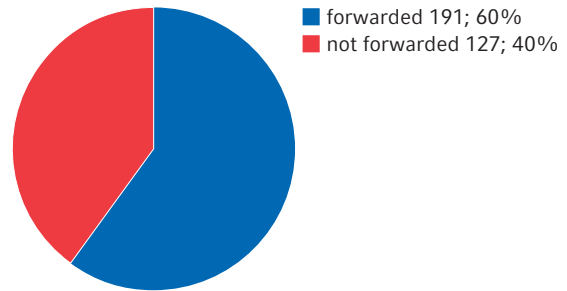


The values concerning those countries where the predicate offences are suspected to have been committed correspond roughly to the values concerning the nationality of the beneficial owners of the assets. The suspected persons thus frequently appear to commit the predicate offences in their home country, which is hardly surprising.

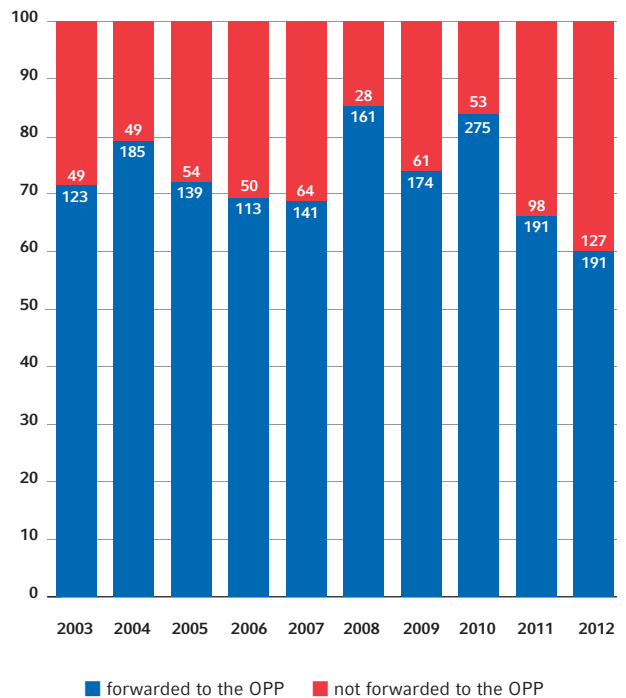
2.4. Forwarding of suspicious activity reports to the Office of the Public Prosecutor

If analysis leads to substantiation of a suspicion of money laundering, a predicate offence of money laundering, organized crime, or terrorist financing, the FIU forwards the SAR to the Office of the Public Prosecutor pursuant to article 5, paragraph 1(b) of the FIU Act⁴.

SARs forwarded to the OPP



SARs forwarded to the OPP



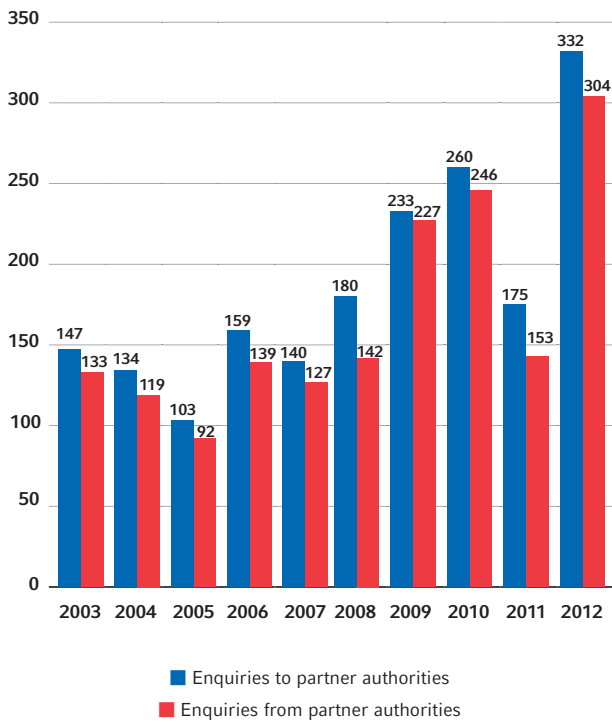
In the reporting year, 60.0% of SARs were forwarded to the Office of the Public Prosecutor (2010: 66.1%), the lowest level during the comparison period of 2003 to 2012. This is a sign of the increasing importance of the FIU's

⁴ Law of 14 March 2002 on the Financial Intelligence Unit (FIU Act; LR 952.2).

function as a filter, leading to an increase in the effectiveness of the defensive system.

2.5. International cooperation

Enquiries to and from foreign partner authorities



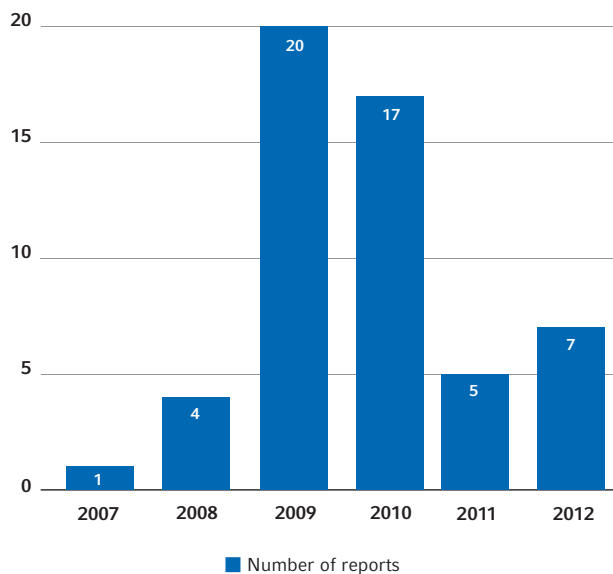
During the reporting year, the FIU received 304 enquiries (previous year: 153). During the same time period, the FIU made 332 enquiries (previous year: 175). Most of the information exchange again took place with the authorities of the neighbouring countries Germany, Switzerland, Italy, and Austria as well as with Russia, the UK, and the US.

The increase in the number of enquiries is part of the trend that emerged between 2007 and 2010. In 2011, there were fewer SARs under the DDA. When evaluating the number of enquiries, however, it must be taken into account that the FIU's business control system counts every contact with a partner authority, such as for instance the enquiry, the response, follow-up enquiries, and other notifications, as separate enquiries. The number of SARs in the context of which international enquiries actually took place is therefore quite a bit lower.

3. Reports under the Market Abuse Act

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

Reports under the Market Abuse Act



The seven reports submitted during the reporting year were slightly higher than the reporting volume in the previous year. Five of these reports were from the banking sector and two from the professional trustee sector. In 2011, insider offences and market manipulation (market abuse) became predicate offences of money laundering.

If there is justified suspicion of insider dealing or market manipulation, the report is forwarded to the Financial Market Authority pursuant to article 5, paragraph 1(h) of the FIU Act. Of the seven reports submitted pursuant to article 6 MAA in the reporting year, six were forwarded to the FMA.

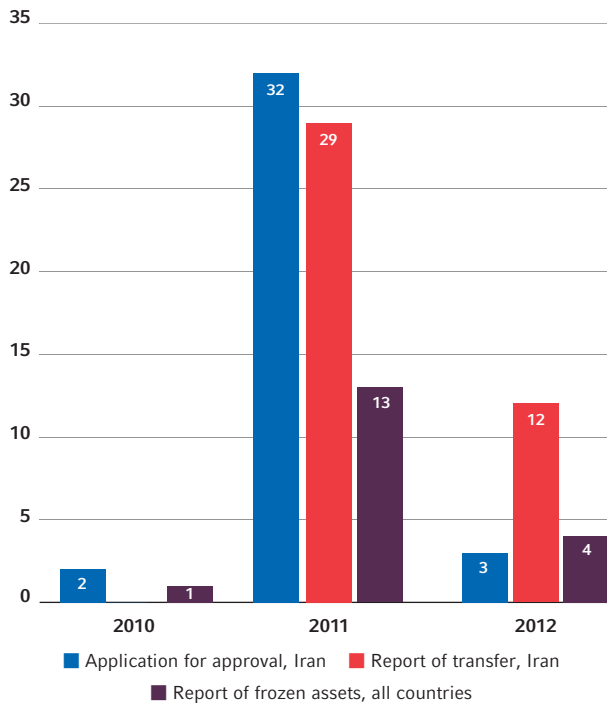
4. Reports and applications under the International Sanctions Act

This term covers all reports and applications transmitted to the FIU pursuant to an ordinance on coercive measures. Persons with their residence, registered office, or a branch in Liechtenstein are required to report.

During the reporting year, 19 reports and applications for approval were received pursuant to the ordinances on enforcement of international sanctions in Liechtenstein. 17 of these concerned Iran, and the remaining two another country subject to sanctions.

The large number of reports and applications in 2011 was a consequence of the fact that some Iranians removed their assets managed in Liechtenstein due to entry into force of the Iran Ordinance or in part had to transfer them to other banks, since some banks abandoned all business with Iranian clients. The relatively high volume of frozen assets in 2011 was due to entry into force of the ordinances concerning several Arab countries.

Reports and applications under the ISA



The relatively large number of reports and applications concerning Iran is due to the fact that, according to article 12, paragraph 1 of the Ordinance of 1 February 2011 on Measures against the Islamic Republic of Iran (Iran Ordinance), any money transfer with Iranian involvement exceeding CHF 10,000 is subject to notification and every such money transfer exceeding CHF 50,000 is subject to approval. This obligation also exists if there is no suspicion that an Iranian person involved in the money transfer is connected with persons, entities, or organizations enumerated in the annex to the ordinance. Based on the Iran Ordinance, four applications for approval and twelve reports of money transfers between CHF 10,000 and CHF 50,000 were received. All four applications were approved.

IV. Abbreviations

DDA	<i>Liechtenstein Law of 11 December 2008 on Professional Due Diligence to Combat Money Laundering, Organized Crime, and Terrorist Financing (Due Diligence Act)</i>
DP	<i>Domestic proceedings</i>
EEA	<i>European Economic Area; Liechtenstein became a full member of the EEA on 1 May 1995</i>
EU	<i>European Union</i>
FATF	<i>The Financial Action Task Force is an expert group established by the G7 and the European Commission in 1989 with the mandate to analyse methods of money laundering and to develop measures to combat it. It currently consists of 36 members, including 34 states and two international organizations (the European Commission and the Gulf Cooperation Council).</i>
FIU	<i>Financial Intelligence Unit (of the Principality of Liechtenstein)</i>
FIU Act	<i>Liechtenstein Law of 14 March 2002 on the Financial Intelligence Unit</i>
FMA	<i>Financial Market Authority Liechtenstein</i>
G8	<i>The „Group of Eight“ encompasses the largest industrialized countries in the world and discusses questions relevant to the world economy. In addition to the United States, Japan, Germany, the United Kingdom, Canada, France, and Italy (G7), it also includes Russia.</i>
IMF	<i>International Monetary Fund</i>
ISA	<i>Liechtenstein Law of 10 December 2008 on the Enforcement of International Sanctions (International Sanctions Act)</i>
MAA	<i>Liechtenstein Law of 24 November 2006 against Market Abuse in the Trading of Financial Instruments (Market Abuse Act)</i>
MLA	<i>Mutual legal assistance</i>
MONEYVAL	<i>Council of Europe’s Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism</i>
OECD	<i>Organisation for Economic Co-operation and Development</i>
StPO	<i>Liechtenstein Code of Criminal Procedure of 18 October 1988</i>
UNODC	<i>United Nations Office on Drugs and Crime</i>

