Falcon Private bank is the second firm to be shut down in Singapore for its dealings with 1MDB, which stands accused of corruption and money-laundering. It is the second blot against the signet of Swiss banking in Asia, after Ticino-based BSI.

Falcon’s demise is a further chink in the armor of Swiss private banks in Asia: the bank is the second to get booted from Singapore’s financial center in five months over its involvement with alleged corruption and money-laundering tied to 1MDB.

The reason is simple: the bank’s highly-respected executives and veteran bankers were negligent in their duties, and allowed Falcon to be used as a «pass-through» for dirty dealings.

Staff Put Under Pressure

As finews.ch has reported separately, staff sounded alarm, but were either ignored or knowingly overruled in a quest to satisfy two board members closely associated with the owner, Abu Dhabi’s sovereign wealth fund.

This led to numerous violations of money-laundering law in Singapore – so flagrant that the regulator had little choice but to yank Falcon’s license.

The bank’s branch manager, Jens Sturzenegger, was apparently arrested last Wednesday as a result of the investigation.

Breathtaking Condemnation

The Monetary Authority of Singapore, or MAS, concluded that Falcon won’t be capable of bringing itself up to standards expected in terms of combating money-laundering – a breathtaking condemnation of the bank’s actions.

Falcon was also ordered to pay S$4.3 million, or 3.2 million Swiss francs, for a total of 14 money-laundering violations.

The bank was effectively hijacked by its owners, two of whom – Khadem al-Qubaisi and Mohamed Badawy al-Husseiny – sat on the board and used the bank for their own purposes, the Swiss regulator and Falcon itself have concluded.

No Glory for Swiss
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While the two undoubtedly exercised pressure on Falcon's bankers, they also found willing executors among Switzerland's most prominent bankers.

Lamentably, Falcon is the second bank that MAS had made an example of: BSI was shut in May over its own dealings with 1MDB.

Clients in Singapore will presumably be transferred to Zurich following the closure.

New Criteria

«Clients and customers of Falcon Bank are assured that the merchant bank, which is a branch of Falcon Private Bank in Switzerland, has the full support of its Head Office which is financially sound,» MAS said in a statement, adding that it is working in lockstep with Switzerland's Finma.

In view of these two cases as well as a proverbial fender-bender for powerhouse UBS, the once-proud Swiss banking brand has lost much of its luster in Asia.

Against this backdrop, the Swiss industry needs to ask itself what values «Swiss banking» still embodies. It is entirely possible that other criteria like performance, transparency, and sustainability will be ranked higher than secrecy.