Switzerland is squandering valuable lessons from the forced dismantling of banking secrecy a decade ago.

As host to some of the world’s largest corruption scandals in recent history, Switzerland displays a stunning lack of interest in the issue.

The recent departure of chief crimefighter Daniel Thelesklaf exposes weak spots in the alpine nation’s defense plan against money laundering. Lawmakers have been hesitant to close loopholes – and Switzerland threatens to fall from grace again internationally.

Fighting money laundering is a deeply unpopular political platform – especially in a parliament stocked heavily with law and finance professionals. Bern’s plan, as one detractor put it, is simply to do everything required by supranational bodies like the FATF (the G7's Financial Action Task Force), and not more.

European Prod

On one hand, money laundering is hugely important to official Switzerland: «As a leading center for offshore wealth management, Switzerland is at permanent risk of money laundering,» Finma head Mark Branson told «Handelszeitung» (in German, behind paywall) last week. He outlined how the financial supervisor intensified efforts to become more proactive after a series of damaging scandals including Petrobras, 1MDB, and FIFA.

So far, so good – but domestic politicians have no plan to back this up nor desire to. The latest prod from abroad are Council of Europe anti-terrorism guidelines; their adoption would massively boost authority for MROS, which works as the interface between banks and regulators. The draft law quietly passed both chambers and could enter into force as soon as January.

Powerful Crimefighters

The nub: the changes would make MROS a far more powerful intelligence agency than, for example, the attorney general, which needs to go to the trouble of opening a criminal investigation to gather nearly as much criminal evidence. With power come turf wars: MROS is organizationally part of the police, which would love to get its hands on the plethora of data some 60 anti-money laundering experts now have at their fingertips (the adoption this year of an UN-backed digital tool has also helped).
The exit of Thelesklaf, the second to leave the job in less than two years, illustrates the strain on the system: his departure is less about a showdown with police chief Nicoletta della Valle as it is about the division of power, sensitivities, and territory.

Uncomfortable Questions?

The reason it matters is the Egmont Group, where the world’s crimefighters meet. Switzerland is notorious for just scraping by in reviews through the FATF, an international money-laundering monitoring group. Famously, it was almost booted in 2012 until Swiss lawmakers scrambled to rush legislation.

Egmont is almost certain to take a hard look at the departure of Thelesklaf and, before him, of Stiliano Ordolli in 2018, in coming weeks and months. The group requires independence of its members – and the burden of proof lies with the countries, meaning Swiss police may have some uncomfortable questions to answer.

Gen X Needs

The Vatican’s recent troubles with the Egmont Group – downplayed by Pope Francis, who had tapped Swiss enforcer Rene Bruelhart – illustrate the perils: the Holy See was cut off from the flow of information following a scandal at its own intelligence unit last year.

In Switzerland, MROS is now 22 years old – a Gen X-adult. It needs independence and accountability – and maybe to move out of its parent’s house. The idea of independence of MROS is hard to square for police – but Germany did it in 2017, transferring responsibility for its FIU from its federal police to the customs authorities.

Tighter Rules Torpedoed

Experts like the idea of a public-private alliance, as modeled by Australia’s Fintel Alliance. The SIF, which just turned ten, might be another natural habitat for the MROS. It can even stay within Fedpol – if it is ring-fenced and supervised separately.

Bern knows all of this but spends amazing little time on the issue. Updates of anti-money laundering rules are often framed as measures to combat terrorism to make them more palatable (and difficult to oppose). Earlier this year, lawmakers nevertheless did, torpedoing plans to include lawyers as helpers.
Reluctance Vs. Acceptance

MROS received just five suspicious activity reports from attorneys and notaries last year – only 0.1 percent of its total. For the increasingly important role that lawyers play in managing money, as finews.com reported last month, this is laughable (one clue might be that more than one-quarter of Swiss parliamentarians passed the bar exam, as «Republik» (in German) tallied last year).

Switzerland has several big graft scandals on its hands – including a long-simmering investigation into Danske Bank’s trail to Switzerland. Until 2009, the alpine nation refused to budge on banking secrecy. The Swiss stance on money laundering stems from the same attitude – at Switzerland's peril.