

The scandals that made the rules

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The Swiss anti-money laundering regime was built in response to a series of scandals. The first was the Chiasso affair of 1977. The branch of the Swiss Credit Bank in the Ticino border town of Chiasso had channelled more than two billion francs of Italian flight capital into a Liechtenstein entity, which invested it in dubious companies and caused large losses. The affair led the Swiss Bankers Association and the Swiss National Bank to conclude the first agreement on the due diligence of the banks in 1977. This agreement required banks to verify the identity of their clients and prohibited active assistance in capital flight and tax evasion.¹

The second series of scandals concerned the assets of dictators. In 1986, after the fall of Ferdinand Marcos in the Philippines, the Swiss Federal Council used its constitutional power to safeguard the interests of the country and froze the Marcos assets in Swiss banks. The assets were later returned to the Philippines after a long legal process. Similar cases followed with the assets of Jean-Claude Duvalier of Haiti, Mobutu Sese Seko of Zaire, Sani Abacha of Nigeria and other rulers.² These cases, which showed that Swiss banks had accepted large sums of money of obviously corrupt origin, led to the development of rules on politically exposed persons and to the Swiss policy of restitution of illicit assets.

The third scandal concerned drug money. In 1988, investigations in Switzerland and abroad revealed that Lebanese and Turkish traffickers had laundered the proceeds of drug trafficking through Swiss banks and exchange offices. The affair, which became known as the Lebanon Connection, led to the resignation of the Swiss Minister of Justice, Elisabeth Kopp. Her husband, whom she had warned about the investigation, was a director of a company implicated in the case.³ The scandal accelerated the introduction of a criminal offence of money laundering, which entered the Swiss Criminal Code in 1990.

1 Notes

1. On the Chiasso affair (1977) and the first agreement on due diligence of the banks (VSB 77) concluded between the Swiss Bankers Association and the Swiss National Bank in 1977, see HLS, article "Chiasso-Skandal"; the publications of the Swiss Bankers Association. To be verified. ↩
2. On the freezing of the assets of Ferdinand Marcos by the Federal Council in March 1986 and their later restitution to the Philippines, and similar cases (Duvalier, Mobutu, Abacha), see the publications of the Federal Department of Foreign Affairs on asset recovery. To be verified. ↩
3. On the Lebanon Connection affair (1988) and the resignation of Federal Councillor Elisabeth Kopp (January 1989), see HLS, article "Kopp-Affäre". To be verified. ↩

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