

1977: the Chiasso scandal and the Due Diligence Agreement

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In the spring of 1977 a scandal broke that marked a turning point in the history of the Swiss financial centre. According to the article devoted to the Chiasso scandal, three executives of the Crédit Suisse branch in that Ticino town, including the deputy manager Ernst Kuhrmeier, had set up in the 1960s, without the knowledge of their management, a Liechtenstein shell company, Texon, which for many years served to launder money from Italy illegally.¹ Following the first oil shock, several companies managed by Texon became loss-making, and the whole structure collapsed in 1977, revealing a debt which the same source puts at CHF 2.2 billion.²

Faced with the risk of financial panic, the Swiss National Bank offered a bridging loan of three billion francs, which the bank's management declined. On 3 July 1979, the three principal culprits were sentenced by the Ticino assize court to four and a half years' imprisonment and a fine of 10,000 francs.³ The prosecutor who uncovered the affair, Paolo Bernasconi, would go on to become one of Switzerland's leading specialists in the fight against money laundering and economic crime.⁴

The scandal led the banks to adopt common rules. According to Public Eye, the Swiss National Bank and the Swiss Bankers Association jointly published the first edition of the Agreement on the Swiss banks' code of conduct with regard to the exercise of due diligence, by which the banks undertook to verify the identity of their clients and to clarify the beneficial owners of domiciliary companies.⁵ Since 1977, this agreement has defined the banks' obligations regarding the identification of the contracting party and the determination of the beneficial owner, and it prohibits active assistance with capital flight and tax evasion.⁶

The initial scope of this agreement remained limited. The former Chiasso prosecutor recalls that at the outset it was no more than a *gentleman's agreement*, which made many bankers smile.⁷ Public Eye notes that it

manifestly did not prevent Swiss financial institutions from continuing to enter into relationships with dubious clients.⁸ The agreement has nevertheless been revised regularly; its current version gives concrete form to the due diligence obligations of the Anti-Money Laundering Act and to the notion of the diligence required by the circumstances within the meaning of Art. 305ter of the Swiss Criminal Code.⁹

Swiss self-regulation also exerted an international influence. A study by the University of Geneva stresses that the approach of the Basel Committee to combating money laundering owes much to the self-regulatory efforts undertaken by Swiss banking circles under the aegis of the Swiss Bankers Association since the negotiation of the first due diligence agreement in 1977, and that this approach also inspired the work of the FATF.¹⁰

Key point. The Chiasso scandal, which came to light in 1977, led to the first Due Diligence Agreement of the banks, which imposed the identification of clients and beneficial owners and prohibited active assistance with tax evasion. Initially a mere undertaking among banks, this self-regulation inspired international standards and still serves to give concrete form to the statutory obligations.

1 Notes

1. Article “Scandale de Chiasso”, Wikipédia (fr) (accessed September 2026). ↩
2. Article “Scandale de Chiasso”, cited above. Other sources mention losses of CHF 1.3 billion (Tribune de Genève, 30 May 2016); the discrepancy is probably due to the difference between the total debt and the final losses, and needs to be verified. ↩
3. Article “Scandale de Chiasso”, cited above. ↩
4. “Le système de rémunération au sein des banques est criminogène”, 24 heures and Tribune de Genève, 30 May 2016. ↩
5. Public Eye, “Anti-money laundering: Switzerland only acts under pressure”, publice.ch (accessed September 2026). ↩
6. Article “Convention relative à l’obligation de diligence des banques”, Wikipédia (fr) (accessed September 2026). ↩
7. Tribune de Genève, 30 May 2016, cited above. ↩
8. Public Eye, cited above. ↩
9. Article “Convention relative à l’obligation de diligence des banques”, cited above. ↩

10. University of Geneva, continuing education, document on the emergence of anti-money laundering strategies, unige.ch (accessed September 2026). ↩

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