

Anti-money laundering from the practitioner's perspective: three typical situations

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Three typical situations encountered in Geneva practice illustrate the concrete difficulties of the fight against money laundering. They are described in schematic and fictitious form.

In the first, an entrepreneur from a Central African country, active in building and public works, wishes to open a relationship with assets of USD 20 million. His activities depend on public contracts awarded by a government whose president has been in power for decades. The entrepreneur holds no public office, but his brother is a minister. The relationship carries increased risk: the entrepreneur, closely associated with a politically exposed person, derives his wealth from public contracts in a country with a high risk of corruption. The institution must clarify the origin of the funds contract by contract, verify the procedures by which the contracts were awarded and submit the relationship to senior management for approval, before deciding, on the basis of this analysis, whether to accept or refuse.

In the second, a medium-sized trading company, a client for ten years, receives an unusual payment of USD 5 million from a company recently incorporated in an offshore jurisdiction, with no identifiable commercial transaction. The monitoring system generates an alert. The trader explains that it is an advance from a new partner. The institution must clarify the identity of the payer's beneficial owner, the reality of the partnership and the consistency of the payment with the trader's business, and, if the explanations remain insufficient, report its suspicions to the Reporting Office.

In the third, a long-standing client, who manages a family fortune of industrial origin, is appointed minister in his country. His status changes: he becomes a foreign politically exposed person, which moves the relationship into the increased-risk category. The institution must review

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the relationship, verify that the pre-existing assets are of legitimate origin, put in place enhanced monitoring of subsequent movements and ensure that no flows derive from the exercise of the office.

These situations show that the fight against money laundering rests on concrete, documented assessments proportionate to the risks, and that the status of politically exposed person or the country of origin is not enough to exclude a client, any more than the length of a relationship is enough to reassure the institution about one.

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