

What money laundering teaches the financial centre

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Thirty-five years after money laundering was made a criminal offence, the Geneva financial centre has internalised a requirement that the Due Diligence Agreement of 1977 had sketched out: to know one's client, the origin of their funds and the meaning of their transactions. This requirement, which applies to banks, asset managers, traders and now advisers, has transformed the professions of the financial centre and created a new one, compliance, which employs thousands of people in Geneva.

It also has its limits. The volume of suspicious activity reports, rising by almost 40 per cent a year, raises questions about the system's capacity to distinguish serious cases from precautionary ones. The cases that continue to come to light show that judgement remains irreplaceable, and that commercial pressure can lead to warning signs being ignored. The growing responsibility of those in charge of compliance, including at more junior levels, raises the question of the balance between individual responsibility and that of the institutions.

The Geneva tradition of the moral economy, described in Part B, sheds an old light on these questions. The sixteenth-century magistrates who hunted down usury concealed behind sales with a right of repurchase, the money changers who weighed coins, the bankers who checked the signatures of their correspondents were practising, with the means at their disposal, a form of due diligence. The fight against money laundering is its contemporary form, imposed by law and equipped by technology, but founded on the same conviction: a financial centre that sells trust must know with whom it is dealing.

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