

What this means for Geneva's banks and advisers

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For Geneva institutions serving an African clientele, the history of asset recovery imposes several requirements.

The first is the distinction between legitimate and illicit fortunes. Africa has entrepreneurs, professionals and families whose wealth derives from legitimate activities and who need wealth management, planning and protection against the instability of their countries. Refusing them wholesale, out of fear of the risks, would amount to discrimination and to a commercial error. Accepting them without thorough verification would expose the institution to the risks described.

The second is vigilance towards politically exposed persons and their entourage, whose regime Part H has described. In many African countries the economic and political elites overlap. An entrepreneur's fortune may thus depend on public contracts, concessions or relations with those in power. The clarification of the origin of funds must address these links.

The third is the anticipation of political change. A leader in office today may be overthrown tomorrow and see his assets frozen. Institutions must assess this risk and document their decisions, since the fall of a regime triggers freezes, investigations and requests for mutual assistance that bring past relationships to light.

The fourth is cooperation with the authorities. Institutions that detect suspicious assets must report them, and those that receive requests for mutual assistance must respond to them. The reputation of the financial centre depends on its ability to return illicit assets, as the Abacha affair showed, and on its ability to stop taking them in.

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Worked example. A Geneva bank accepted, in the 2000s, USD 50 million from a close associate of an African head of state, on the basis of a cursory declaration of the origin of the funds. When the regime fell, these assets were frozen, mutual-assistance proceedings were opened and a criminal investigation examined the bank's due diligence. In addition to the costs of the proceedings, the bank faces a sanction from FINMA, damage to its reputation and, if a breach of the reporting obligation is established, prosecution of its compliance officers. The fees earned on these assets, in the order of USD 500,000 a year, do not compensate for these risks. The figures are fictitious.

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