

Parliament, the commission of inquiry and the Federal Court

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The affair turned at once into a debate on the law. On 15 December 1988 the National Council discussed four interventions on money laundering. The Social Democratic group, through Moritz Leuenberger, demanded that criminal proceeds be confiscated by operation of law and that everyone who managed third-party money, "also Banken, Finanzinstitute, Treuhänder", be required to clarify the economic background of doubtful transactions. The Green group asked that Kopp be relieved of all business connected with the affair. The Ticino deputy Sergio Salvioni asked for statistics on criminal financial activity and proposed a central federal unit against drug trafficking and money laundering together with an offence of criminal association.¹

On 31 January 1989 both chambers established a parliamentary commission of inquiry (*Parlamentarische Untersuchungskommission*, PUK) chaired by Moritz Leuenberger. Its report of 24 November 1989 went far beyond the telephone call. It revealed that the Federal Police had kept about 900,000 index cards on citizens and organizations, which triggered the "Fichenaffäre", one of the largest political scandals of post-war Switzerland.² Parliament lifted Kopp's immunity and the Federal Court tried her, her adviser Katharina Schoop and an official of the Federal Office of Justice, Renate Schwob, for breach of official secrecy. After hearings from 19 to 23 February 1990 the court acquitted all three. It held that it had not been proved that Elisabeth Kopp knew that the information she passed to her husband came from official sources.³ As far as the sources consulted show, no charge was brought against Hans W. Kopp in the Lebanon Connection proceedings.⁴ Elisabeth Kopp died in 2023. Recent research has asked whether she was abandoned by her party and the press more quickly because she was a woman.⁵

1 Gold, currency dealers and the gap outside the banks

The Lebanon Connection exposed a weakness that the banks' due diligence agreement could not reach. The cash did not enter the banking system directly through the counters of the large banks. It passed first through currency and gold dealers, which were not banks and therefore were not bound by the agreement. These firms bought dollars for francs, bought gold for cash and then dealt with the banks as clients in their own name. For the bank, the contracting partner was a known Zurich company with a long account history. The bank saw no reason to identify the persons behind each transaction. The internal investigations opened by Credit Suisse and the Union Bank of Switzerland in November 1988 concerned precisely the question whether their staff should have looked through the dealer to its own clients.⁶

The legislative answer took two forms. Article 305ter SCC of 1990 applied to every person who accepted or transferred third-party assets professionally, so that the currency dealer itself became subject to the duty to identify the beneficial owner. The Anti-Money Laundering Act of 1997 then brought these dealers into the supervisory system as financial intermediaries of the parabanking sector. For Ticino, where small exchange offices, precious metals traders and fiduciaries had always worked close to the border, this extension was more significant than for any other region. Chapter G.III shows that the parabanking sector remains a focus of the Ticino authorities.

2 The Ticino proceedings and their limits

For the Bellinzona prosecutors the Kopp affair was a distraction from a case that tested the limits of Swiss criminal law. Since money laundering was not yet an offence, the couriers and money changers could be prosecuted only for participation in drug trafficking under the Narcotics Act. The prosecution therefore had to prove that the persons who exchanged dollars for gold or francs knew that the money came from drugs and intended to support the trade. Contemporary reports show that the federal prosecutor had proposed blocking accounts at an early stage, but that his superiors rejected the measure as "too radical".⁷ The evidentiary problem was exactly the gap that Bernasconi's report of 1986 had described and that the draft legislation was intended to close.

The political effect of the affair was immediate. In December 1988 Kopp had pressed for the money laundering bill to be enacted by the end of 1989, three years earlier than originally planned.⁸ Her resignation did not slow

the process. On the contrary, a bill that had been criticized in the consultation of 1987 as an "American copy" now passed with broad support, and the Federal Council presented its message on 12 June 1989.⁹ The Lebanon Connection thus completed what the Pizza Connection had begun. A case investigated by prosecutors in Bellinzona had shown that the Swiss financial centre could be used to launder billions and that the law offered no direct answer.

3 Notes

1. National Council, sitting of 15 December 1988, urgent interpellation of the Social Democratic group (88.812), interpellation of the Green group (88.809), interpellation Salvioni (88.810) and motion Cavadini (88.811), Amtliches Bulletin der Bundesversammlung, digitized at https://entscheidsuche.ch/docs/CH_VB/CH_VB_001_88-812_1988-12-15.pdf, https://entscheidsuche.ch/docs/CH_VB/CH_VB_001_88-809_1988-12-15.pdf and https://entscheidsuche.ch/docs/CH_VB/CH_VB_001_88-810_1988-12-15.pdf. ↩
2. Année politique suisse (as above). ↩
3. Année politique suisse (as above); Amlinger (as above). ↩
4. Wallace (as above) ("accused but not charged" in the sense of public accusations; no criminal charge). ↩
5. Amlinger (as above). ↩
6. L'Impartial, 5 November 1988 (as above). The analysis of the dealer structure summarizes the reported facts and the legislative reasoning. No court made a finding on it. ↩
7. L'Impartial, 23 February 1990 (as above). ↩
8. Wallace (as above). ↩
9. Botschaft of 12 June 1989 (as above), 1061 and 1075–1076 (consultation from February to June 1987 with 24 cantons, 6 parties and 15 organizations; concern that Switzerland might appear as an "amerikanische Kopie"). ↩

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