

## The bank's due diligence on the trader

*Dr Alexander Ressos, TEP  
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),  
Solicitor (England & Wales)*

A bank that finances a trader in Zug must satisfy its own regulatory obligations before it grants the financing. It must identify the trader and its beneficial owners under the anti-money-laundering rules, assess the risks of its business, monitor its transactions and report suspicions to the Money Laundering Reporting Office. It must screen the trader, its counterparties, the vessels and the goods against the applicable sanctions lists. The Swiss Financial Market Supervisory Authority has emphasised that the correct application of sanctions is operationally demanding and that violations pose high legal and reputational risks for the institutions and for the financial centre as a whole. It regards structures with multiple domiciliary companies which obscure the beneficial ownership and the economic purpose of transactions as a particular concern.<sup>1</sup>

In the investigations that followed the great money laundering scandals of the 2010s, FINMA sought information from 46 Swiss banks, opened 16 enforcement proceedings against institutions and 9 against individuals and reported breaches of the reporting obligations to the Federal Department of Finance.<sup>2</sup> The Petrobras affair, which concerned the bribery of the Brazilian state oil company, reached the commodity trade directly, since several traders were among the companies accused of paying bribes to Petrobras officials. Glencore's settlement with the Brazilian prosecutors in 2022 related to this affair.<sup>3</sup>

For the trader, the bank's due diligence means that it must provide its lenders with extensive information about its ownership, its business, its counterparties and its compliance programme. A weakness in any of these areas can cost it its financing. The bank's compliance function has become, in practice, one of the most important supervisors of the commodity trade, which is not itself subject to prudential supervision.

## 1 Notes

1. FINMA, "Money laundering and sanctions", finma.ch, accessed September 2026: the correct observance of sanctions "is operationally challenging and requires the utmost care"; violations "pose high legal and reputational risks for the individual institutions, but also for the Swiss financial centre as a whole"; concern about structures using multiple domiciliary companies that obscure beneficial ownership and economic purpose; transaction monitoring accounted for 33 per cent of suspicious activity reports in 2021; 12 per cent increase in MROS reports compared with 2020. ↩
2. FINMA, "Addressing global money-laundering scandals (2018)", finma.ch: in connection with 1MDB, FIFA and Petrobras, 46 Swiss banks were petitioned for detailed information; 16 enforcement proceedings were opened against institutions and 9 against individuals; breaches of the AMLA reporting obligations were reported to the Federal Department of Finance. ↩
3. Glencore, "Glencore reaches coordinated resolutions with US, UK and Brazilian authorities", 24 May 2022: \$39.6 million settlement with the Brazilian Federal Prosecutor's Office related to Petrobras bribery allegations. ↩

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