

Financial services, payment screening and trade finance

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For banks and payment service providers, sanctions compliance is above all a data problem. Every incoming and outgoing payment must be screened against the Swiss lists and, where there is a nexus, against the lists of the United States, the European Union and the United Kingdom. Names, addresses, vessel identifiers, bank identifier codes and free-text fields in payment messages are compared with the lists, and potential matches are reviewed by analysts. The transition of the international payment system to the ISO 20022 message standard has made structured data available that improves screening quality, although it also increases the volume of alerts. The Russia ordinance adds layers that go beyond list screening: the prohibition on deposits above CHF 100,000, the restrictions on transactions with the Russian central bank, the prohibitions on loans and securities and, since 2026, the prohibitions on crypto services and on Russian crypto platforms.¹ These rules require banks to know the nationality and residence of their clients and to recognise Russian-controlled entities among their corporate clients, which goes beyond the identification of the beneficial owner under money-laundering law.

The distinction between a sanctions breach and a money-laundering offence becomes important when a bank discovers that a client has circumvented the sanctions. The bank must freeze and report under the sanctions ordinance. If there is a suspicion that the assets derive from a crime, including a qualified tax offence or a sanctions offence that qualifies as a felony, it must also report to MROS. The two reports go to different authorities with different consequences, and the bank must coordinate them so that neither the client nor third parties are warned. The chapter on anti-money-laundering compliance describes the reporting duty under Article 9 of the Anti-Money Laundering Act in detail.

Trade finance and commodity finance present specific risks. Letters of credit, guarantees and pre-export financings involve goods, vessels, ports and counterparties in several jurisdictions, each of which may be subject to a different regime. The oil price cap, which Switzerland adopted from the European Union, allows maritime transport services for Russian crude oil and petroleum products only if the purchase price remains below a ceiling. Banks that finance such trades must obtain attestations from their clients. Public Eye has criticised the Swiss approach as leaving traders to regulate themselves. According to its estimate, Switzerland handled 50 to 60 per cent of the trade in Russian oil destined for Europe before the invasion, a business that has since moved in large part to Dubai and Hong Kong.² The physical commodity trading business is concentrated in Geneva, Zug and Lugano, which the companion volumes on those centres discuss. Zurich's share of the business lies in financing and legal advice, and in the head offices of some banks that remain active in commodity finance.

Asset managers and fund administrators face their own sanctions issues. A fund that holds Russian securities may be unable to sell them because of prohibitions on transactions with certain issuers or because the relevant central securities depository has frozen them. The Russia ordinance prohibits Swiss central securities depositories from providing services for securities issued after 12 April 2022 to Russian nationals, residents and entities.³ Investors in funds with frozen positions may find that redemption payments are suspended or that the value of their shares is uncertain. For fund managers the valuation of illiquid Russian positions and the allocation of losses among investors are recurring questions, which Swiss collective investment law answers only in general terms.

1 Notes

1. Russia ordinance, Art. 20 (cited above); Baker McKenzie, "Switzerland Implements Remainder of EU's 20th Sanctions Package Against Russia" (cited above), on Arts. 19, 20a and 20b. ↩
2. Public Eye, "Sanctions on Russian oil" (cited above); see also Public Eye, "Goodbye Geneva? Dubai becomes new hub for Russian oil trading", <https://www.publiceye.ch/en/media-corner/press-releases/detail/goodbye-geneva-dubai-becomes-new-hub-for-russian-oil-trading> (not opened). ↩

3. Russia ordinance, Art. 22,
<https://www.droit-bilingue.ch/de-fr/9/94/946.231.176.72-22-36.html>. ↩

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