

Press release

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Money laundering prevention: FINMA concludes proceedings against PKB

Enforcement proceedings launched by the Swiss Financial Market Supervisory Authority FINMA have found that PKB Privatbank SA Lugano committed serious breaches of money laundering regulations by failing to carry out adequate background checks into business relationships and transactions linked with the corruption scandal involving Brazilian oil company Petrobras and Brazilian construction group Odebrecht. FINMA has ordered the disgorgement of CHF 1.3 million in unlawfully generated profits and will appoint an external auditor to supervise the measures taken.

In 2014 the authorities in Brazil launched criminal proceedings in the context of Petrobras and Odebrecht relating to corruption and money laundering. These proceedings focused on current and former managers as well as politicians, and uncovered a corruption scandal of international dimensions. Companies and individuals in numerous countries were involved, including some in Switzerland.

PKB inappropriately managed business relationships linked with Petrobras and Odebrecht

FINMA has now concluded enforcement proceedings against PKB Privatbank SA Lugano (PKB) which had been running since April 2016. The proceedings focused on the period between 2010 and 2015. They concluded that the bank's anti-money laundering processes relating to business relationships and transactions in the context of the Petrobras and Odebrecht cases were inadequate. FINMA found that the bank had not adequately identified contractual partners and had failed to carry out appropriate background checks into high-risk business relationships and transactions. The bank was also found to have failed in its duty to report suspected money laundering to the Swiss authorities. Serious deficiencies were therefore identified in the bank's organisation and risk management functions in relation to money laundering.

PKB in Lugano maintained several dozen business relationships linked with the corruption scandal involving Petrobras and the Odebrecht construction group. The bank executed transactions, some involving millions of francs, without carrying out the plausibility checks and investigations required for

such high-risk transactions. The bank also failed to carry out adequate background checks on its customer relationships. Important forms were either not completed at all or only in part, and some were signed blank. The bank did not react appropriately to warnings from its internal IT control system about particularly high-risk transactions.

FINMA orders disgorgement of CHF 1.3 million from PKB

PKB cooperated fully during the proceedings and has taken rapid steps to correct the deficiencies in its anti-money laundering processes. FINMA will appoint an external auditor to monitor the implementation of these measures and their effectiveness. In order to restore compliance with the law, FINMA has ordered the disgorgement of CHF 1.3 million in unlawfully generated profits.

Four proceedings relating to Petrobras and Odebrecht

FINMA has carried out investigations at more than a dozen Swiss banks in relation to the Petrobras and Odebrecht cases and launched a total of four enforcement proceedings. FINMA concluded its proceedings against BSI and Banque Heritage SA in 2016. Proceedings in one further case are ongoing.

Money laundering prevention: key priority for FINMA

The prevention of money laundering is a key priority for FINMA. Over recent years, FINMA has issued on average more than ten enforcement rulings a year imposing sanctions relating to money laundering and has taken a range of measures, including the dissolution of a bank, a licence withdrawal from a fiduciary company and the disgorgement of illegally generated profits. FINMA has also enforced changes to governance structures at supervised institutions and set strict limits on certain new business activities. In the past years, FINMA has issued industry bans against eight bank managers following serious breaches of due diligence requirements. Between 2016 and 2017 FINMA launched enforcement proceedings against seven bank managers.