



Federal Council initiates consultation on strengthening the anti-money laundering framework

Bern, 30.08.2023 - At its meeting on 30 August 2023, the Federal Council launched the consultation procedure on a bill to strengthen the anti-money laundering framework. The aim is to reinforce the integrity and competitiveness of Switzerland as a financial and business location with a federal register of beneficial owners, due diligence for particularly risky activities in legal professions, as well as other provisions. The measures are in line with international standards.

An effective system for combating financial crime is essential for the good reputation and lasting success of an internationally important, safe and future-oriented financial centre and business location. Money laundering and terrorist financing pose a serious threat to financial system integrity. Around the world, legal entities are misused by criminals, including organised crime, to conceal assets for the purposes of money laundering, tax evasion and the circumvention of sanctions. As a major financial centre, Switzerland is also exposed to these risks. The Federal Council therefore proposes to strengthen the existing anti-money laundering framework. In particular, increased transparency should allow the prosecution authorities to identify who is really behind a legal structure with greater speed and certainty.

The key elements of the bill are:

- A federal register will be introduced, in which companies and other legal entities in Switzerland will have to be entered, together with information on their beneficial owners. Simplified registration is provided for certain legal forms, such as limited liability companies, sole proprietorships, associations and foundations. This non-public register will be managed by the Federal Department of Justice and Police (FDJP), in order to make use of the existing infrastructure and the know-how of the

authorities running the commercial register. To ensure the quality of the register, an audit unit within the Federal Department of Finance (FDF) will carry out checks and, where necessary, issue penalties.

- Anti-money laundering due diligence rules should henceforth also apply to certain consultancy activities (especially legal advice) which carry an elevated risk of money laundering. This move is in response to the proposal already discussed by Parliament in 2019. The structuring of companies or transactions with real estate are considered to be particularly risky. The position of the legal profession and lawyers' and notaries' duty of professional secrecy are respected.
- There is also a series of additional measures to strengthen the anti-money laundering framework. These include measures to prevent sanctions under embargo legislation from being breached or circumvented. Moreover, the threshold for cash payments in precious metals trading will be lowered from CHF 100,000 to CHF 15,000. It will still be possible to make cash payments above this limit, but they will be subject to certain due diligence rules. All cash payments in real estate business are now subject to anti-money laundering due diligence rules, irrespective of the monetary amount involved.

The consultation on the bill will last until 29 November 2023. The Federal Council will submit the dispatch to Parliament in 2024. The reform should contribute significantly to protecting the financial centre from funds of criminal origin, and to strengthening Switzerland as a business location. The measures are in line with the international standards of the Financial Action Task Force (FATF) on combating money laundering and terrorist financing.

What does the legislative amendment mean for SMEs?

In principle, all companies and legal entities in Switzerland are required to enter their beneficial owners in the federal transparency register. However, a simplified reporting procedure is provided for most companies, especially sole proprietorships, limited liability companies, foundations and associations. The simplified procedure also applies to all companies whose beneficial owners are already entered in the commercial register. According to an externally produced regulatory impact assessment, the new regulations will result in a slight additional burden, but this will have little impact at the level of individual companies. On average, for all companies this involves around 20 minutes' work (equivalent to about CHF 25) in the first year. In subsequent years, the effort falls to a quarter of that.

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