2009:62 Money Laundering and Terrorist Financing (Prevention) Act

Why the bank has to ask

What is money laundering?

Money laundering is a process to make money derived from criminal activities appear as though it was honestly gained. It is an international phenomenon, often extending over national boundaries. It can involve money from drug crimes, trafficking, people smuggling, tax crimes, robbery, fraud, arms trading, etc.

By making use of the banking system, money launderers can make it more difficult to trace the criminal source of money. The organisation of money laundering can be of varying complexity. It is not only a matter of cash transactions, but extends also to transfers and other services via the Internet and telephone, for example.

The Anti-Money Laundering Act

To prevent the exploitation of banks for money laundering, regulations have been introduced in practically the whole world. The Swedish law is based upon the Third EU Money Laundering Directive, which stipulates that all financial businesses within the EU are obligated to prevent money laundering. The law also encompasses businesses and professional persons beyond the financial sector such as accountants, lawyers, estate agents, etc. Equivalent regulations apply for measures against the financing of terrorism.

The bank must ask questions

In short, the anti-money laundering act entails that the bank must make an assessment of the risk of exploitation for money laundering. The law places high demands on the bank to have good knowledge of its customers and their bank affairs. The bank must understand the purpose of the business relationship and the customer's various transactions. Customer information received by the bank is treated confidentially and is encompassed by bank secrecy.

Purpose of the transaction

If a customer wishes to make a deposit or another transaction, the customer must answer questions and present valid identification should a bank official request this. This applies for transactions that are deemed to be unusual or that the bank does not understand the context of.

The bank official is then obligated to ask about the purpose of the transaction, the origin of the money and what it is to be used for, etc.

In certain cases the bank may also ask to view contracts, receipts, invoices or other documentation in support of the customer's explanation.

For new customers of the bank

The bank is obligated to check the identity of anyone wishing to become a new customer, for example when opening an account, or investing in shares or pension insurance. To gain more knowledge, the bank official must ask further questions to be able to perform the requested services.

For current customers of the bank

Current customers must also be able to present valid identification upon request and offer supporting details. This can be appropriate when executing a transaction or acquiring a new service, for example.

Politically exposed persons - PEP

The bank must know if you are a PEP, i.e. if you have or have been en-trusted with prominent public functions in a country or an international organisation. The bank must also know which customers are family members and close associates of a PEP.

For business customers

The representative of a company must be able to present valid identification and to verify the right to represent the company. Furthermore, the bank must investigate if any person or persons own over 25 percent of the company and if any person has decisive influence in the company. The representative must

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also be prepared to answer questions regarding the company's operations, its turnover and how the bank's services are to be used.

In certain cases the bank cannot perform a service

If a customer is unable to present valid identification or provide a satisfactory explanation as to why the customer wishes the bank to perform a certain service, the bank is not permitted to perform the requested service. If the law is not followed, the bank official may be penalised and sanctions may be imposed on the bank by the Swedish Financial Supervisory Authority.

If the bank suspects money laundering this shall be reported to the Financial Intelligence Unit of the National Police.

Information about payments

Since 2008 an EC Regulation has been in effect regarding information in connection with payments. According to this regulation, a customer must always present details of identity for cash deposits and payments. The bank is obligated to request and keep such information.

Further information

The bank will be happy to provide additional information if you have any questions regarding the Act of Measures Against Money Laundering.

Detailed information about the provisions and contents of the Act can also be obtained from:

Svenska Bankföreningen
Swedish Bankers' Association

Svenska Bankföreningen
www.swedishbankers.se
Telephone: +46 8 453 44 00

Finansinspektionen
www.fi.se
Telephone: +46 8 787 80 00