

Why the bank has to ask

What is money laundering and financing terrorism?

Money laundering involves trying to convert money derived from criminal activities into assets that can be reported openly. It is an international phenomenon, often extending over national boundaries. It involves money from drug crimes, trafficking, people smuggling, tax crimes, robbery, fraud, arms trading, bribery, 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.

Terrorism can be financed with both legal money and money derived from criminal activities. Here, too, the banking system is used to move money.

The Anti-Money Laundering Act

To prevent the exploitation of banks for money laundering and financing terrorism, regulations have been introduced almost worldwide. The Swedish law is based upon the Fourth 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, gaming companies, etc.

The bank must ask questions

In short, the Anti-Money Laundering Act entails the bank having to make an assessment of the risk of exploitation for money laundering and financing terrorism. The law places high demands on the bank having good knowledge of its customers and their bank affairs, and understanding the purpose of the customer's various transactions.

Customer information received by the bank is treated confidentially and is subject to 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. This applies to transactions where the bank does not understand the context.

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, investing in funds or buying securities. The bank official may need to 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 may be appropriate when executing a transaction or acquiring a new service, for example.

For politically exposed persons

The bank must know if you are a PEP, i.e. if you have or have been entrusted with prominent public functions in a country or an international organisation. The bank must also know if you are a family member or a close associate 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 also be prepared to answer questions regarding the



company's operations, its turnover and how the company will use the bank's services.

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 must be reported to the 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

Please contact your bank if you would like any more information about the Anti-Money Laundering Act.

You can also find out more about the provisions and contents of the Act by contacting: