

SHOT ACROSS THE BOWSingapore shuts down BSI Bank as part of a wider money-laundering crackdown. **B8****BANKING**

MAS gives Swiss bank unit the boot

1MDB-linked BSI faces criminal probe

**ANSHUMAN DAGA
SAEED AZHAR
JOSHUA FRANKLIN**

SINGAPORE/ZURICH: Singapore closed down BSI Bank Ltd's operations in the city-state, while Switzerland began criminal proceedings against the private bank, in the biggest international crackdown on financial entities dealing with a scandal-hit Malaysian government fund.

The Monetary Authority of Singapore (MAS) said yesterday that it had withdrawn BSI Bank's status as a merchant bank in Singapore for serious breaches of anti-money laundering rules, the first time in 32 years it has taken such action against a bank.

In a statement that highlighted an "unacceptable risk culture," regulatory lapses and gross misconduct of some of BSI's staff, MAS said it was also reviewing transactions of other banks in Singapore.

The central bank has referred five former executives of BSI Bank to the public prosecutor for possible criminal charges, including its previous Asia CEO, Hanspeter Brunner, and another suspended executive.

Brunner did not respond to a request for comment.

"BSI Bank is the worst case of control lapses and gross misconduct that we have seen in the Singapore financial sector," said Ravi Menon, managing director of MAS.

The Singapore central bank's action was "a shot across the bow to the industry," said Chris Wilson, a partner at PwC Consulting, specialising in anti-money laundering and financial crime. "This sends a strong signal to senior management of any institution out



A bank clerk enters the reception area of BSI's office in Singapore yesterday. REUTERS

there that they could also face these issues."

MAS did not explicitly name 1Malaysia Development Bhd (1MDB) in its statement. But the Swiss Financial Market Supervisory Authority or Finma said in Zurich that Swiss-based BSI AG had committed serious breaches of money laundering regulations through business relationships and transactions linked to the corruption scandals surrounding the Malaysian state investor.

The fund, which was founded by Malaysian Prime Minister Najib Razak in 2009, is being investigated for money-laundering in at least six countries.

A Malaysian parliamentary committee in April identified at least \$4.2 billion in

irregular transactions by 1MDB. It recommended the fund's advisory board, which Najib chaired, be disbanded. Both 1MDB and Najib have denied any wrongdoing.

The Malaysian attorney general's office in January cleared Najib of any criminal offences or corruption, declaring that \$681 million deposited into his personal bank account was a gift from Saudi Arabia's royal family.

The probes surrounding 1MDB have cast an unwelcome spotlight on Singapore, which is one of the world's leading wealth management centres and has been trying to burnish its anti-money laundering credentials.

In Switzerland, Lugano-based BSI now faces a criminal investigation from the Office of the Attorney General (OAG), while Finma ordered it to fork over almost \$100 million in profit.

The OAG suspects that internal BSI deficiencies meant it was unable to prevent suspected offences in a wider OAG investigation in connection to 1MDB.

Swiss authorities said in February a criminal investigation into 1MDB had revealed that about \$4 billion appeared to have been misappropriated from Malaysian state companies.

1MDB said in a statement yesterday that it has not been contacted by any

foreign authority.

The OAG investigation comes amid a takeover of BSI by Swiss rival EFG International AG, which agreed in February to buy it from Brazil-based BTG Pactual SA for 1.33 billion Swiss francs (\$1.34 billion).

Finma said the deal could still go ahead on condition that 143-year-old BSI be fully integrated with EFG and then dissolved.

Finma also said it was seizing 95 million Swiss francs of profit from BSI and had launched enforcement proceedings against two of its former senior managers.

"No BSI senior managers will be allowed to take similar positions at EFG," it added.

"Management ignored clear warning

signals and the system of controls failed," Finma CEO Mark Branson told reporters, adding that other legal issues involving BSI left it little choice in its measures.

"Unfortunately, it is also not an isolated case... So we, like our colleagues in Singapore, had to come to the conclusion that the bank must be dissolved."

BSI responded to the OAG, Finma and MAS measures by saying that group CEO Stefano Coduri had stepped down with immediate effect and that it had undertaken steps to strengthen management, including introducing a new chief risk officer and appointing a new group legal counsel. REUTERS