

CHAPTER X

GENERAL SECRETARIAT

1. Activities in 2005
2. Customer complaints
3. Communications related to the fight against money laundering and terrorist financing



1. ACTIVITIES IN 2005

The responsibilities of the General Secretariat (SG) cover the following fields:

- **General Secretariat**

The SG is entrusted with coordinating the external relations and communications of the CSSF, i.e. the contacts with foreign supervisory authorities, national and international administrations, professional associations, as well as with any other counterpart that does not fall under the competence of the other functions and departments of the CSSF.

In 2005, the SG has thus had contact in writing with the supervisory authorities of 42 different countries on subjects as diverse as the organisation of co-operation meetings between the CSSF and the other authorities as home or host authorities, consultation procedures provided for by the European Directives, handling notifications regarding the freedom to provide services and establish branches, requests for information relating to national laws and regulations or authorised entities and natural persons, etc..

Moreover, the SG answers the requests for general information of the public in relation to the CSSF's activities or the financial centre.

The SG is also in charge of producing, where applicable in co-operation with the functions and departments concerned, the CSSF's publications in the broad sense (annual reports, brochures, press releases, monthly Newsletter, management of the website, etc.). In this context, the year 2005 was marked more particularly by the introduction of a new design for the CSSF's monthly Newsletter and by the design of a new CSSF website (www.cssf.lu) in co-operation with an external company and the CSSF's IT team. The new website includes an entirely revised graphic identity, a reorganisation of its content, a more powerful search engine and a subscription feature that allows internet users to be kept informed on a regular basis on the news published by the CSSF. An English version of the website has been created in order to meet the needs of the financial centre. The new website has been put online on 1 February 2006.

- **Legal issues**

The SG is entrusted with handling general legal issues and cases of presumption of fraudulent and illegal activities in the financial sector (such as the performance of unauthorised or illegal activities), including the response to be reserved, if necessary, by the CSSF.

- **Professional obligations and consumer protection**

The SG handles concrete files relating to professional obligations, rules of conduct and consumer protection.

In this context, it deals with the complaints of customers against professionals under the supervision of the CSSF (credit institutions, UCIs, PFS, SICARs, pension funds, securitisation undertakings) and the intervention with these professionals with a view of reaching an amicable settlement in accordance with article 58 of the law of 5 April 1993 on the financial sector as amended (please refer to point 2 hereinafter).

Furthermore, based on concrete files (*inter alia*, on reports to the Public Prosecutor and observations following on-site inspections), the SG controls compliance with anti-money laundering rules (please refer to point 3 hereinafter) and rules of conduct.

2. CUSTOMER COMPLAINTS

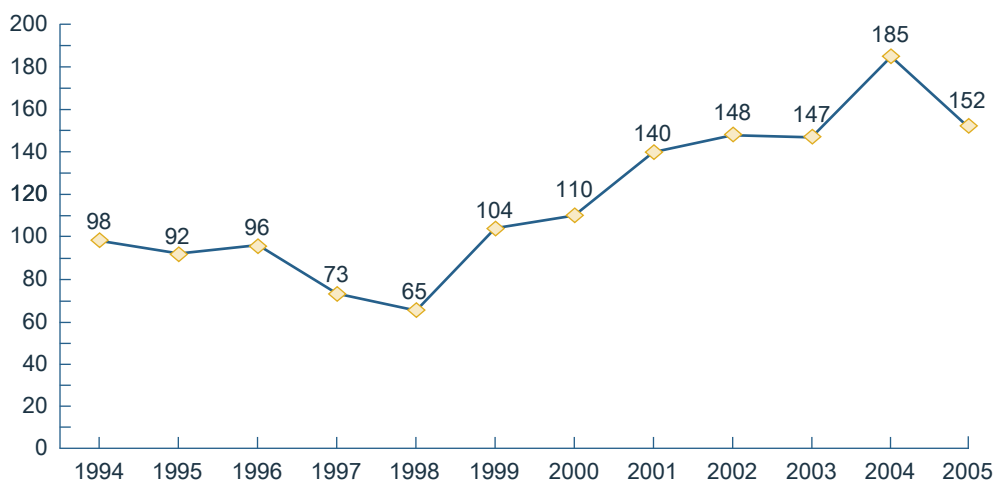
The law of 5 April 1993 on the financial sector as amended confers on the CSSF the task of mediating between the professionals and their customers. Under the terms of article 58 of this law, the CSSF “is competent to receive complaints from clients of the entities subject to its supervision and to intercede with these entities with a view to settling the disputes amicably”.

Within the CSSF, it is the General Secretariat that handles these disputes.

2.1. General data

In 2005, the number of complaints has decreased as compared to 2004, which can be explained by a stabilisation of the markets, as well as an improved handling of complaints by the professionals.

Development in the number of complaints



Among the 152 complaints received in 2005, 144 were lodged by natural and 8 by legal persons. 28 complainants contacted the CSSF through a lawyer or a representative. The European Consumer Centre had forwarded three complaints to the CSSF. The majority of complaints concerned credit institutions, while four concerned PFS.

By taking account of the 49 files from 2004 in addition to the 152 complaints received in 2005, a total of 201 files have been handled in 2005.

Among the 201 files handled in 2005, 153 have been closed, with the following outcome or reason for closing:

Files closed		153
Unjustified complaints	77	
Justified complaints with a reasoned opinion	17	
Amicable settlement without reasoned opinion	22	
Withdrawal by client	35 ¹	
Contradictory positions	2	
Open files carried forward into 2006		48
Total		201

¹ This category not only encompasses the complaints on which the complainant does not follow up, but also those where the client decided to refer his matter directly to the courts, thus putting an end to the CSSF's intervention.

It has to be noted that 20 out of the 48 files carried forward into 2006 have been settled by 1 March 2006.

Breakdown of the 153 complaints closed in 2005 according to the complainants' country of residence

Country	Number
Belgium	41
Germany	39
Luxembourg	31
France	17
United Kingdom	6
Netherlands	3
Sweden	1
Greece	1
Finland	1
Spain	1
Austria	1
Others (non-EU) ²	11
Total	153

In 2005, most of the complaints concerned, just as in 2004, all sorts of banking operations. The cases relating to portfolio management have decreased substantially.

Breakdown of complaints closed in 2005 according to their object

	Number	in %
Banking operations	94	62%
Fees, commissions, interest rates	32	
Non-execution or incorrect execution of transactions	19	
Criminal offence	9	
Inheritance	7	
Transfers, payments	6	
<i>of which cross-border transfers</i>	2	
Deficient client information	9	
Means of payment	3	
Transfer of securities	3	
Non-fulfilment of agreement	1	
Execution deadlines	1	
Various disputes	4	
Portfolio management (advice and discretionary management)	42	27%
Deficient client information, lack of advice	20	
<i>including cases relating to non-information about risks</i>	17	
Non-execution or incorrect execution of orders	14	
Unprofessional management, non-compliance with the profile	10	
Fees and commissions	5	
Non-fulfilment of agreement	3	
Dispute over the existence of a mandate	2	
Execution deadlines	1	
Others³	17	11%
Total	153	100%

² Including Switzerland 4 and Norway 2.

³ Including freezing of accounts, professional secrecy.

- **Complaints regarding UCIs**

In 2005, the department Supervision of UCIs has handled nineteen complaints, including five files from 2004. Fourteen files have been closed. One complaint could be settled amicably, while another one was withdrawn by the investor. The vast majority of complaints received in 2005 related to two UCIs that have been withdrawn from the official list during the year.

It should be noted that the complaints relating to UCIs are not included in the 2005 statistics of the General Secretariat.

2.2. Analysis of the complaints handled in 2005

2.2.1. Banking operations

- **Charges**

A large number of complaints concerned the fees charged by the credit institutions.

Thus, one complaint was lodged by a customer who complained that he had not been informed of the change in charges decided by the credit institution. However, the credit institution had informed all the customers by mail of its new charges in advance. The change introduced an annual lump sum administrative fee for all natural persons, payable at the beginning of the year, as well as a management commission, payable at the beginning of every quarter, applicable to a portfolio of a certain amount. Every change in charges should be duly notified to the customer within a reasonable timeframe. As the customer had not responded to the mail, the credit institution had debited the administrative fee from the account as provided for in the new charges system.

While the CSSF does not interfere, in principle, in pricing policies of institutions, it has however decided in one case that a credit institution could not charge the customer with the investigation costs generated by a search and seizure warrant concerning the customer. According to the CSSF, these expenses were not provided for in the terms and conditions, nor were they made in the interest of the customer. It was rather a legal obligation that the credit institution had to fulfil. Moreover, the credit institution was free to seek advice from a lawyer without passing these costs on to the customer.

Owing to the particular trust relationship that may exist between parties, a credit institution might want to grant advantages such as free custodian fees to a particular customer. One complaint precisely dealt with the fact that a credit institution did not want to uphold this advantage anymore. Indeed, the credit institution considered that this special trust relationship no longer existed, as the customer had requested that his entire portfolio be transferred to another credit institution. Consequently, the credit institution applied the usual charges. Preferential fees and commissions compared to the standard charges list should not be taken for granted by customers. Thus, the credit institution is indeed not obliged to apply a discount conceded for every transaction and forever. Nevertheless, the CSSF considered that the decision to reconsider the preferential fees was questionable insofar as the credit institution had applied the usual fee retroactively to the full year and has therefore invited the credit institution to propose an amicable settlement to the client.

- **Transfers**

Even though credit institutions are required to perform a certain number of verifications, such as the statement and the accuracy of the mandatory information, before passing on a transfer instruction, they shall pay extra attention when the transfer order is not given by way of a pre-printed form, but on another support, such as on plain paper, sent by post or fax, or even by e-mail, knowing that this is subject to all kinds of fraud.

Thus, in one case submitted to the CSSF, the credit institution had performed a transfer in accordance with an order sent by fax, which had been identified afterwards as a forgery by the complainant. The customer considered that the credit institution should have verified the origin of the transfer order, given notably that it differed considerably from previous orders. The CSSF has concluded that the credit institution should have been alerted by the atypical nature of this fax and contacted the complainant to request a confirmation, even more so as the order concerned almost the whole assets in the account. According to jurisprudence in this matter, the banker of the transferor is at fault if he does not verify with due attention the regularity and genuineness of the order. This examination does not only consist in checking the form and appearance of the order, but also the general circumstances of the transaction. The slightest doubt should prompt the banker to suspend the execution and to request a confirmation from the customer. The CSSF considered that the credit institution was partly liable for the loss sustained by the complainant and invited it to contact the customer so as to reach an amicable settlement.

Another complaint was lodged with the CSSF by a customer who had realised a material error, namely a transfer that had been executed by his credit institution on another account than that stated on his transfer order. The customer wished to transfer the funds to the beneficiary's account with a given credit institution. However, even though the beneficiary was the same, the credit institution took the liberty to transfer the funds to the account that the beneficiary held in its own books. The complainant, who had not immediately realised the change of his funds' destination, had signed the payment receipt, as he had done for every previous transfer in the context of a real estate transaction. Following the CSSF's intervention, the credit institution acceded to the customer's demand and paid back the funds.

The obligation for a credit institution to provide information on the performance and detail of a transaction, such as a transfer, is limited in time. A customer, who had approached the CSSF, claimed that a transaction was fraudulent and that the credit institution had not investigated enough on a transfer executed in the past. However, the credit institution considered that it had made all the investigations it had been able to. Furthermore, it put forward the decennial storage period under article 11 of the Commercial Code, as well as jurisprudence according to which a banker is required to provide the customer with the documents relating to the account management for the ten years preceding the date of the request. As the facts dated back to more than ten years in this particular case, the CSSF did not decide on any misbehaviour of the credit institution which had not been able to trace the contested transfer.

- **Cheques**

A customer had deposited a cheque with his credit institution and had his account credited on the first subsequent working day with the amount of the cheque minus collection charges. A "credit advice" was sent to the customer on the same day. However, the cheque, upon presentation for payment by the beneficiary's credit institution, was returned by the credit institution of the drawee stating "Cheque stopped - fraudulent use". A registered mail was immediately sent to the customer to inform him of this payment incident, followed by a second registered mail informing him that the credit institution would debit his account for the amount of the cheque, as well as for the return and correspondent charges.

The customer blamed the credit institution for having credited the amount of the cheque without having made preliminary investigations as regards sufficient funds. However, the customer's account was credited with the amount of the cheque "under reserve". The "under reserve" credit of a cheque is considered as an advance granted by the credit institution and, consequently, decided by the account holding bank according to the customer's profile. The customer had been informed thereof through the "credit advice" sent on the same day his account had been credited.

The CSSF has concluded that the expression "under reserve" was sufficiently explicit and included the idea that the credit on the account was made under reserve of a subsequent payment of the cheque by the drawee credit institution. Furthermore, a credit institution is unable to make sure beforehand that cheques are covered. The credit institution could therefore rightfully reverse the entry if the cheque was not paid by the drawee credit institution for whatever reason, as the credit institution does not have to bear the consequences of a fraudulent cheque. It is commonly accepted that depositing a cheque amounts to a collection order; in practice, credit institutions therefore immediately credit the beneficiary's account at the same time as they collect the cheque from the drawee's credit institution. The CSSF could therefore not decide on a misbehaviour of the credit institution.

- **Loan contracts**

The CSSF has observed a noticeable increase in cases relating to consumer credit and mortgages.

Conclusion of a loan contract

In one case, the customer complained that the refusal of the credit institution to grant a mortgage was not justified, as he claimed to have all the guarantees to be granted the credit sought. The credit institution for its part defended its position by claiming that the repayment burden was out of proportion with the net income of the complainant and of his spouse, and that the guarantees presented were insufficient. The CSSF informed the customer that it does not interfere in the decision of the credit institution to grant a loan or not, as this comes under the commercial policy of the institution.

In another case, a customer complained that the credit institution made him bear the costs for the valuation of real estate in the context of an application for a mortgage, given the fact that the loan had finally been refused. The credit institution had confirmed that the complainant had been explicitly informed on the expert valuation and administration fees he would have to bear at the moment the credit was applied for. The customer had even signed an express statement authorising the credit institution to levy the specific fees relating to the mortgage. However, apparently he did not understand that the expert valuation fees would fall under these specific fees even if the credit was refused. The CSSF could not decide on any misconduct by the credit institution in the context of this dispute.

Interest rates

Customers sometimes approach the CSSF when a credit institution does not automatically adapt the interest rate of a loan contract following a decrease in the rates. The position of credit institutions is that the interest rate of the loan account follows every adaptation of the rates in accordance with their general policy and that variable interest rates are thus adapted to the situation in the market. But interest rates do not necessarily follow the development of the rates decided by the European Central Bank, be it downwards or upwards, as an interest rate takes into account the overall relationship with the customer and its risk profile. No law obliges the credit institutions to follow exactly the variations of the interest rate fixed by the European Central Bank. The loan contract is often silent on this point, even if it provides for the possibility of an increase in the interest

rate.

Payment in advance of the mortgage. Realisation of the mortgage.

In one case submitted to the CSSF, the credit institution had granted a mortgage repayable over a period of twenty years with a fixed interest over a period of ten years. During the fixed rate repayment period, payments in advance were not authorised. On this point, the provisions of the document certifying the credit opening were completed by the letter of credit. However, the parties still had the possibility to exit the credit agreement, notably through a unilateral denunciation of the agreement concerned. In this context, the document certifying the opening of the loan only set down that a "denunciation of the credit would result in the discontinuation of the loan and in all the amounts due by the credited party to the bank becoming payable". In this particular case, the customers had thus not been able to reasonably assess the consequences of an advance payment, knowing that there was no reference to a penalty for breaking mortgage in the credit letter. The CSSF has thus requested the credit institution to reconsider its position *vis-à-vis* the customer. Consequently, the credit institution has not only proposed the customers to settle the dispute on an amicable basis, but has also inserted an explicit statement in its credit letters, which now informs the customers on the existence of a compensation in case of a prepayment, specifying that the latter is based on the refinancing costs of the credit institution.

2.2.2. Portfolio management

A certain number of customers assume that bad investment results are necessarily due to poor management, or even management errors made by the credit institution and therefore lodge a complaint. However, in most cases, the investments have merely undergone the ups and downs of the market that a professional cannot control.

Other complaints were connected with persons under contract with a credit institution as business introducer and who had overstepped their powers, making it appear as actual proxy of the customer.

In one case submitted to the CSSF, the credit institution had left too much latitude to the business introducer. The credit institution left the business provider not only with the task to inquire about the customer's financial information, his investment experience and goals, but did not even object to the fact that the business introducer placed orders on behalf of the customer, which pointed to his being an independent manager of the customer.

- ***Discretionary management***

In one complaint, the customers claimed that they were under discretionary management, whereas the elements of the file suggested the opposite. Indeed, the customers recognised in numerous mails that they had been contacted on a regular basis by their appointed manager to propose investments they decided to follow or not. As regards the customers' claim that their account had not been handled with due attention, the credit institution responded that it had submitted proposals for a certain number of investment possibilities. The credit institution had even proposed to switch to a discretionary management agreement in order to facilitate the management of their assets. However, this proposal had not had any effect. The elements of the file also reveal that the customers had often requested the advice of the credit institution as regards their investments. As an advisory management agreement only entails an obligation of due care and not to achieve a given result, the credit institution could thereby not be responsible for the yield of the recommended investments. The customers had thus been perfectly informed on the nature of their contractual relationship with the credit institution and on the investments made on their behalf and for their account, so that nothing pointed to a misbehaviour of the credit institution.

The CSSF stresses once again the importance to have put down in writing not only the discretionary management agreement, but also all the conditions governing its fulfilment and to ensure that the document is countersigned by both parties.

Within the context of another complaint, a customer invoked the poor fulfilment of the discretionary management agreement he had signed. The credit institution denied having countersigned this contract, which had thus never been executed. The CSSF concluded, in the light of the elements of the file, that the credit institution was partly liable for the inception of this complaint, as the customer could reasonably believe in the execution of the discretionary management contract he had signed. Indeed, the credit institution was not able to prove that the customer had been informed of the fact that the contract had not been fulfilled for lack of sufficient funds. Furthermore, there had been nothing in writing that submitted the fulfilment of the contract to the condition of a defined amount of capital. Moreover, it turned out that the credit institution had charged management fees during several years. The CSSF therefore considered that the credit institution had misbehaved.

- ***Obligation of information***

Customers often complain that they have been insufficiently informed on a given investment or on the products that they envisaged to acquire, which puts the professionals in the delicate situation of having to prove that they have fulfilled their obligation of information.

A customer complained in his complaint letter that the credit institution had not informed him on the risks inherent in an investment in eurobonds. However, the customer had signed every stock market order that the credit institution had executed on his behalf. Furthermore, the customer had not signed any portfolio management agreement with the credit institution, so that the final decision to make a given investment was his. The sole fact that a loss was sustained following a drop in the price of securities does not suffice to conclude that the credit institution is at fault, as the obligation of advice of the credit institution is an obligation of due care. Indeed, the credit institution cannot foresee the ups and downs of the market. Moreover, the customer claimed that he had not understood the meaning of the text written on the securities that had been delivered to him materially. The credit institution stated that it had given all the necessary information and was able to prove that the client had experience with this type of securities. The CSSF could therefore not decide on any misbehaviour. Furthermore, it should be borne in mind that customers should not merely adopt a purely passive attitude, but that they are obliged to make inquiries if necessary. In this particular case, the customer should have asked for the necessary details before taking the decision to invest in eurobonds.

2.2.3. Banking secrecy

The CSSF is regularly approached by persons that had not been able to obtain information as the bank referred to its banking secrecy. In all the cases submitted to the CSSF in 2005, this objection was however justified.

Thus, a complainant blamed the credit institution for not disclosing the identity of a person that had handed in a certificate of an investment fund for collection. The credit institution considered that its secrecy obligation went against the disclosure of this person's identity, as the latter was a third party in relation to the complainant. The CSSF agreed with the position of the credit institution.

In another case, it has been decided that the credit institution could not reveal the identity of the beneficial owner of an account belonging to a company to the heirs of the entitled party of said company whose funds had been transferred on that account, without breaching the banking secrecy.

2.3. FIN-NET network, the cross-border out-of-court complaints network for financial services

A FIN-NET plenary meeting was held on 10 June 2005 in Prague, which also gathered the representatives of some of the ten new Member States of the European Union. They stated their situation and progress as regards out-of-court complaint settlement of complaints on financial matters, in order to fulfil the requirements with respect to their application for full membership of the FIN-NET network.

3. COMMUNICATIONS RELATED TO THE FIGHT AGAINST MONEY LAUNDERING AND TERRORIST FINANCING

The application of the prudential supervisory mission of the CSSF is general and also covers the fight against money laundering and terrorist financing. The law of 12 November 2004 on the fight against money laundering and terrorist financing (hereinafter "the law") confirms that "the Commission is the relevant authority to verify compliance with the professional obligations as regards the fight against money laundering and terrorist financing by all the persons under its supervision, without prejudice to article 5 of the law of 12 November 2004 on the fight against money laundering and terrorist financing."⁴

The obligation of the professionals of the financial sector to communicate to the CSSF a copy of their reports of suspicions filed with the Public Prosecutor is laid down in circular CSSF 05/211 of 13 October 2005, which provides in paragraph 137 that "the professionals of the financial sector shall transmit, separately and at the same time as they transmit information to the Public Prosecutor in accordance with article 5(1), the same information to the CSSF as they transmit to the Public Prosecutor, whatever the origin of the information process and the content of the information concerned".

Communication of information as regards the fight against money laundering and terrorist financing concerns both so-called "spontaneous" reports as provided for in article 5(1)a) of the law in case of a suspicion, and those made at the request of the competent legal authorities as provided for in article 5(1)b) of the law. The CSSF shall also be informed of the subsequent communications insofar as they are of interest for the understanding and follow-up of the file.

Indeed, the analysis of the copies of the reports of suspicions received by the CSSF and of the other reports in this field is an important exercise which allows to assess the concrete implementation and proper application of anti-money laundering procedures by the professionals, including in particular compliance with their obligations as regards KYC (Know Your Customer) and co-operation with the authorities. The assessment of the professional's behaviour allows the CSSF to form a general opinion about the endeavours of the professionals in this field to limit, as far as possible, the legal and reputational risks relating to money laundering or terrorist financing.

Generally speaking, this analysis contributes to the CSSF's overview of the development of the dubious customers' behaviour. The conclusions that can be drawn allow the CSSF to be in tune with the needs of the professionals in this field and to take account thereof in drawing-up its circulars or the stands it takes, as well as within the international bodies or in the expert groups in which the CSSF takes part.

Besides the actual fight against money laundering and terrorist financing, the CSSF issues circulars inviting the professionals to communicate the names of the customers that are mentioned on the lists drawn up by the European Union with respect to the freezing of funds and economic resources.

⁴ Indent added by the law to article 2(1) of the law of 23 December 1998 establishing a *commission de surveillance du secteur financier*.

The role played by the CSSF is more than merely being the intermediary between the professionals of the financial sector and the relevant competent ministries.

In this context, it should be borne in mind that a consolidated list, updated by the European Commission and listing the names of the persons and entities concerned by the restrictive financial measures, is available on the official website of the European Union (the relevant link is provided on the CSSF's website under the heading "Links").

Within the CSSF, the General Secretariat handles the files relating to the aforementioned communications.

3.1. The communications in figures

The figures show that the financial sector is still prone to the risk of being used for the purpose of money laundering and terrorist financing despite the fact that at this point in time, the diversification of money-laundering and terrorist-financing techniques involves more sectors, especially when funds are invested.

In 2005, the CSSF dealt with a total of 487 communications relating to the fight against money laundering and terrorist financing, which is a slight decrease as compared to 2004 (514 communications). These communications include reports under article 5 of the law, as well as communications with respect to financial embargoes.

The vast majority of reports are made spontaneously by the professionals, the reason being that certain information about customers came to their knowledge *via* the written press or information published on the Internet, such as the lists of persons that have been previously the object of an investigation.

Indeed, the cases under review reveal that the professionals make increasingly checks at the beginning of the relationship, as well as during the relationship, when they deal with an order of a customer that is not in line with his normal behaviour or when the customer wishes to end the relationship without reasonable explanation. These facts are often only part of a whole set of indications, which can concern the person concerned, the evolution of the customer, the origin of the assets, the nature, the purpose or the terms of the transaction in question.

It is interesting to note that a large part (72) of these reports were made following the request of potential customers to enter into business relations, but to which the professional of the financial sector did not respond favourably due to a suspicion of money laundering or terrorist financing. In these cases, the suspicion was often the result of information on the funds to be deposited or invested, that were not fully satisfying for the professional, i.e. the origin of the funds was not clear, the amount of the deposit was very high, or the nature of the transaction, such as currency exchange or sale of securities, made the professional suspicious and file a report. Certain requests to open an account have been refused by the professionals because the documents submitted in this context appeared to be fraudulent or were fakes.

Around sixty reports were due to decisions or regulations issued in the context of restrictive financial measures decided at European level. This category comprises the communications that have either been transmitted to the CSSF as copies following a circular issued by the Luxembourg Financial Intelligence Unit (FIU) in the context of the fight against money laundering or terrorist financing, or following the CSSF circulars on the freeze of funds and economic resources decided at European level.

Twenty-nine cases are related to a communication to the CSSF that has been made following a notification of a seizure and search warrant issued either in the context of a national investigation in the context of the fight against money laundering and terrorist financing, or in the context of an international investigation following an international letters rogatory.

As regards the data on the professionals that have filed a communication in 2005, 67 out of the 155 credit institutions registered on the official list as at 31 December 2005 have made a communication; three communications have been filed by two banks that were not active anymore at 31 December 2005.

As regards the other professionals of the financial sector (PFS), sixteen of the total 185 PFS registered on the official list as at 31 December 2005 have filed a communication with the CSSF.

Moreover, two management companies out of the 72 management companies registered on the list as at 31 December 2005 have made communications in this field.

It should be stressed that the professionals that have filed more than ten reports – i.e. twelve banks and one PFS – have become even more diligent as in 2004, as the communications of these professionals represent more than half of the total number of communications received by the CSSF (about 61% in 2005 against 46% in 2004).

3.2. General crime

In the context of communications regarding the fight against money laundering and terrorist financing, the CSSF also dealt with a certain number of files relating rather to general crime, but that can however present a certain risk for the professional, as well as for the customer.

A technique that stood out regularly in the context of distance selling is that persons guilty of fraud use the possibilities to conclude deals *via* the Internet to possibly launder money. In this particular case, the customers that wish to sell objects through the Internet are informed by the relevant buyers that the selling price is paid by cheque sent to them and which they have to hand in for collection. However, these cheques are often altered and/or forged, or issued for an amount that largely exceeds the agreed selling price. In the latter case, the seller is requested to transfer part of the extra amount to a third party, the goal which consists in circulating and laundering money being thereby achieved.

Furthermore, several cases of fraud relating to transfer orders have been reported by banks. The mechanism was always the same: the banks had received transfer orders that had been duly signed by customers residing in African countries, requesting the transfer of the funds from accounts opened on behalf of these customers to banks in Asia. When the customers noticed the transfers, they informed the bank that they had never initiated the transfers concerned. Investigations revealed that the orders had been falsified in a professional manner, by means of information that had been stolen from the customers. The accounts in Asia had been opened by means of falsified passports and the money had been withdrawn immediately.

The CSSF therefore advises banks to strengthen their transfer procedures for customers residing in high-risk countries, notably by having written orders confirmed orally.



GENERAL SECRETARIAT

Left to right: Iwona MASTALSKA, Steve HUMBERT, Christiane TRAUSCH, Benoît JUNCKER, Danièle BERNA-OST, Jean-François HEIN, Nadine HOLTZMER, Natasha DELOGE, Anne WAGENER, Danielle MANDER

Absent: Carine CONTE

