Asset Recovery

In 26 jurisdictions worldwide

Contributing editors
Jonathan Tickner and Sarah Gabriel

2015
GETTING THE DEAL THROUGH

Asset Recovery 2015

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Peters & Peters Solicitors LLP

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Switzerland

Marc Henzelin, Sandrine Giroud and Héloïse Rordorf
Lalive

Civil asset recovery

1 Legislation

What are the key pieces of legislation in your jurisdiction to consider in a private investigation?

There is no specific Swiss legislation regulating private investigation. The general rules regarding the gathering of information and evidence can be found in the Swiss Code of Civil Procedure (SCCP). There is no discovery process under Swiss civil procedural law. Additional rules pertaining to asset recovery can be found in the following statutes:

- the Swiss Code of Criminal Procedure (SCCP);
- the Swiss Code of Obligations (CO);
- the Swiss Civil Code (CC);
- the Swiss Criminal Code (CС);
- the Swiss Debt Enforcement and Bankruptcy Act (DEBA);
- the Swiss Federal Act on Banks and Saving Banks (Banks Act); and
- the Swiss Private International Law Act (PILA).

2 Parallel proceedings

Is there any restriction on civil proceedings progressing in parallel with, or in advance of, criminal proceedings concerning the same subject matter?

Civil proceedings can be conducted in parallel with, in advance of, or within criminal proceedings. Swiss law provides for several procedural means by which civil and criminal proceedings can be coordinated. For example, civil courts can suspend or stay proceedings, if appropriate (article 126 SCCP). The proceedings may be stayed in particular if the decision depends on the outcome of other proceedings such as criminal proceedings. In practice, only in limited cases will the existence of parallel criminal proceedings be sufficient grounds to stay civil proceedings. Indeed, the two proceedings are subject to different sets of rules and findings made in the context of criminal proceedings cannot be incorporated as such without reservation in civil proceedings. Civil and criminal proceedings can also be coordinated by granting victims of criminal offences the right to bring civil claims as private claimants in criminal proceedings (article 122 SCCP).

3 Forum

In which court should proceedings be brought?

Civil proceedings are generally brought before cantonal civil courts. In certain cases however, civil claims can also be brought before the competent criminal authority regarding civil proceedings concerning the same subject matter (article 122 SCC) (see question 2).

As a rule, ordinary civil proceedings should be brought before the courts at the defendant's domicile (natural person), or seat (legal person) (article 10 SCCP). Swiss civil procedural rules also sets forth special venues depending on the subject matter of the dispute (eg, family law, employment law, inheritance law, property law, contract law, torts, company law), the existence of other relevant connections (eg, place of business establishment), as well as the nature of the claims or parties involved (eg, counter-claims or third-party claims). In particular, for contractual matters, a claim can be filed before the courts either at the domicile or registered office of the defendant or at the place where the characteristic performance must be rendered (article 31 et seq SCCP).

As to interim measures, unless the law provides otherwise, they can be ordered either by the court that has jurisdiction to decide the main action or the court found at the place where the measure is to be enforced (article 13 SCCP). The same is also provided in the context of international proceedings (article 10 PILA). As to attachment proceedings in support of a monetary claim, they are regulated specifically by the DEBA (see question 10).

4 Limitation

What are the time limits for starting civil court proceedings?

The initiation of civil proceedings is limited by the statute of limitations applicable to the underlying claim. However, there is no procedural statute of limitations limiting civil court proceedings as such.

As a rule, claims which arise out of a breach of contract become time-barred after 10 years unless otherwise provided by law (article 127 CO). Some specific contractual claims become time-barred after five years such as claims for rent, interest on capital and all other periodic payments, claims in connection with delivery of foodstuffs, as well as claims in connection with work carried out by tradesmen and craftsmen, purchases of retail goods, medical treatment, professional services provided by advocates, solicitors, legal representatives and notaries, and work performed by employees for their employers (article 128 CO). A few contractual claims become time-barred after one year such as a customer's claims for defects in a contract for work (article 371(1) CO).

In general, the limitation period commences as soon as the debt is due (article 130 CO). The limitation period is interrupted if the debtor acknowledges the claim and in particular, if the debtor makes interest payments or partial payments or if debt enforcement proceedings are initiated by the creditor (article 133 CO). The effect of such interruption is that a new limitation period commences as of the date of the interruption (article 137 CO).

A claim for damages based on tort becomes time-barred one year from the date on which the injured party became aware of the loss or damage and of the identity of the person liable for it, or 10 years after the date on which the loss or damage was caused, whichever is earlier. It is important to note that if the action for damages is derived from an offence for which criminal law provides for a longer limitation period, that longer period also applies to the civil law claim (article 60 CO).

5 Jurisdiction

In what circumstances does the civil court have jurisdiction? How can a defendant challenge jurisdiction?

The civil courts mainly have jurisdiction for contentious civil matters, court orders in non-contentious matters and court orders in matters of debt collection and bankruptcy law as well as arbitration (article 1 SCCP).

The court examines ex officio whether the procedural requirements of a claim are satisfied. This includes, in particular, the subject matter and territorial jurisdiction of the court seized (articles 59 and 60 SCCP). A party can, however, object to the jurisdiction of the court as a preliminary matter. The court can thereafter decide to clarify this issue before entering into the merits of the case as a means to simplify the proceedings (article 125 SCCP).

If the court decides that it lacks jurisdiction, it closes the proceedings by deciding not to consider the merits of the case (article 136 SCCP). This decision is subject to either appeal (article 308 SCCP) or objection (article 310 SCCP).
A civil court may obtain information in writing from all official authorities (article 159 SCCP). There is no list of entities falling under the definition of ‘official authorities’ but it should be interpreted broadly as encompassing every entity financed or subsidised by a public agency. Swiss courts are, moreover, obliged to provide mutual assistance to each other (article 194 SCCP).

As mentioned above (see question 7), information may be obtained from the Debt Collection Office regarding the debt enforcement and bankruptcy register records as well as from civil courts. Moreover, a party to a civil dispute that is also a party to criminal proceedings against the same adverse party, if granted the right to access the criminal file, can use such information in the context of civil proceedings.

9 Third-party disclosure

How can information be obtained from third parties not suspected of wrongdoing?

Parties and third parties have a duty to cooperate in the taking of evidence. In particular, they have the duty to make a truthful deposition or state­ment as a party or a witness; produce physical records, with the exception of correspondence with lawyers provided that such correspondence concerns the professional representation of a party or third party; and allow an examination of their person or property by an expert (article 160 SCCP).

In certain cases, third parties may, however, refuse to cooperate. Third parties may have an absolute right to refuse to cooperate if they have a family link or a close personal relationship to one of the parties (article 165 SCCP). In other specific cases, third parties only have a qualified right to refuse to cooperate, which must be justified (article 166 SCCP). This relates, for instance, to cases where in establishing facts, third parties would expose themselves or a close associate, as specified by law, to criminal prosecution or civil liability, or where a third party is bound by professional secrecy (eg, lawyers and clerics). If a third party refuses to cooperate without justification, the court may impose a disciplinary fine of up to 1,000 Swiss francs; threaten sanctions under article 192 SCCP (see question 12); order the use of compulsory measures; or charge the third party the costs caused by the refusal (article 167 SCCP). There is, however, no such sanction as contempt of court under Swiss law.

Furthermore, the confidants of other legally protected secrets may refuse to cooperate if they credibly show that the interest in keeping the secret outweighs the interest in establishing the truth (article 166(2) SCCP). This provision applies to bankers who are otherwise bound by banking secrecy (article 47 Banks Act).

10 Interim relief

What interim relief is available pre-judgment to prevent the dissolution of assets by, and to obtain information from, those suspected of involvement in the fraud?

Swiss law distinguishes between non-monetary and monetary claims. While enforcement of the former is regulated by the SCCP, enforcement of the latter is regulated by the DEBA. Interim relief, both before a claim has been filed or during the proceedings, can be requested by parties in the form of compulsory measures; or charge the third party the costs caused by the refusal (article 167 SCCP). This provision applies to bankers who are otherwise bound by banking secrecy (article 47 Banks Act).

Swiss courts can order any interim measure suitable to prevent immi­nent harm in support of a non-monetary claim (article 165 SCCP). In par­ticular, such interim relief can take the form of an injunction; an order to remedy an unlawful situation; an order to a registry or third party; a perfor­mance in kind; or the remittance of a sum of money (if provided by law).

In practice, interim measures that are often requested are the registration of property rights in a public register such as the land register. Interim measures can also be requested to prevent a party from disposing of assets such as company shares or moveable property. In cases of special urgency, and in particular where there is a risk that the enforcement of the measure will be frustrated, the court may order the interim measure immediately and without hearing the opposing party (ie, ex parte) (article 165 SCCP).

Moreover, while pre-trial discovery is alien to Swiss civil procedure, the SCCP allows the taking of evidence before the initiation of legal proceed­ings exclusively in cases where evidence is at risk or where the applicant has a justified interest (article 158 SCCP).

In the context of a monetary claim, assets could be frozen by way of attachment proceedings (articles 271 et seq DEBA). Such attachment is granted ex parte and must thereafter be validated. The applicant must prima facie:

- show a claim against the debtor;
- identify assets of the debtor that can be attached; and
Right to silence

Do defendants in civil proceedings have a right to silence?

Under Swiss civil procedural rules (article 163 SCC), both the defendant and the plaintiff have a right to refuse to cooperate if:
- the taking of evidence would expose a close associate (ie, a spouse, child or other kin) to criminal prosecution or civil liability; or
- if they are bound by statutory secrecy obligations under criminal liability (eg, if they are a member of the clergy or a lawyer (article 321 SCC).

Other confidants entrusted with legally protected secrets may refuse to cooperate if they credibly demonstrate that the interest in keeping the secret outweighs the interest in finding the truth (article 163(1) SCC). This typically applies to banking secrecy and the persons bound by it.

If a party refuses to cooperate without valid reasons, this will be taken into consideration by the court when appraising the evidence (article 164 SCC).

Non-compliance with court orders

How do courts punish failure to comply with court orders?

If the court order provides for an obligation to act, to refrain from acting or to tolerate something, the enforcement court may:
- issue a threat of criminal penalty under article 392 SCC; or
- impose a disciplinary fine not exceeding 5,000 Swiss francs; or
- impose a disciplinary fine not exceeding 1,000 Swiss francs for each day of non-compliance;
- order a compulsory measure such as taking away a moveable item or vacating immovable property; or
- order performance by a third party (article 343 SCC).

Moreover, failure to comply with an official order issued by a court under the threat of criminal penalty for non-compliance in terms of article 392 SCC is a criminal offence and gives rise to a fine.

Swiss courts can accompany their orders directly with the above-mentioned execution measures. Such measures can also be requested separately by one of the parties to the enforcement court if the other fails to comply with the court order.

Obtaining evidence from other jurisdictions

How can information be obtained through courts in other jurisdictions to assist in the civil proceedings?

Requests for judicial assistance for the taking of evidence abroad must follow the legal framework applicable between Switzerland and the requested state (eg, bilateral or multilateral treaties such as the 1954 Hague Convention relating to Civil Procedure or the 1970 Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters). In Switzerland, in the absence of a specific international instrument, such requests must be addressed to the Swiss Federal Office of Justice, which then transfers the requests abroad (article 11 PILA).

Assisting courts in other jurisdictions

What assistance will the civil court give in connection with civil asset recovery proceedings in other jurisdictions?

Swiss courts will assist foreign courts in relation to proceedings of asset recovery within the legal framework applicable between Switzerland and the requesting state. Save for the existence of other bilateral or multilateral agreements between the two states (eg, the 1965 Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters, the 1970 Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters or the 2007 Lugano Convention on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters), by default, Switzerland will apply the 1954 Hague Convention relating to Civil Procedure to foreign requests for service and the taking of evidence (article 118(4) PILA).

It is noteworthy that service of judicial or extrajudicial documents from abroad in Switzerland as well as the taking of evidence in support of foreign proceedings is considered as being the exercise of public authority on Swiss territory. Accordingly, the execution of such measures on Swiss territory, without passing through the channel of judicial assistance, constitutes a violation of territorial sovereignty and is a crime under Swiss law (article 171 SCC).

Causes of action

What are the main causes of action in civil asset recovery cases and do they include proprietary claims?

Under Swiss law, a civil asset recovery action may be brought to court on the basis of many different causes of action (eg, contract law, tort law, inheritance law, property law).

In particular, contract-based claims may be filed for breach of contract (article 97 CO). If there is no contract between the parties and if a person unlawfully causes a loss or damage to another, a tort-based action may be lodged (article 41 CO). This applies particularly to cases of fraud. Proprietary claims are also possible, notably in the event the owner has been deprived of its ownership (article 641 CC). In insolvency and bankruptcy law, if the debtor has transferred assets or favoured certain creditors to the detriment of others, an avoidance action may be brought (articles 285 et seq DEBA).

Remedies

What remedies are available in a civil recovery action?

The remedies available under Swiss law generally depend on the cause of action.

For example, in the context of a contract, the plaintiff may request that the defendant be ordered to perform the contract in accordance with its precise terms. Proprietary claims are also possible, notably in the event the owner has been deprived of its ownership (article 641 CC).

Swiss law provides for restitution in the event of unjust enrichment (articles 62 et seq CO). In general, the claim for unjust enrichment is considered subsidiary to other, more specific, claims. Restitution is also the remedy available to the owner of an object deprived of its ownership (article 641 CC).

Swiss law allows for an account of profits under specific circumstances. For instance, in the case of a contract of agency without authority, the principal is entitled to appropriate any resulting benefits where the agency activities were not carried out with the best interests of the principals in mind but with those of the agent's (article 423(1) CC). Account of profits is also foreseen in relation to profits realised by the infringement of personality rights (article 28a(3) CC).

Judgment without full trial

Can a victim obtain a judgment without the need for a full trial?

In certain circumstances, Swiss law allows a judgment to be issued without a full trial. For instance, civil proceedings can continue and a judgment by default can be rendered even if the defendant is in default (articles 147, 206, 223 and 234 SCC). In other specific cases, the trial is conducted pursuant to simplified or summary proceedings. Simplified proceedings apply inter alia to small cases (ie, where the value in dispute is below 30,000 Swiss francs) (articles 243 to 247 SCC). Summary proceedings go even further in terms of simplification and expediency. They apply, in particular, to urgent requests and requests for provisional measures (articles 248 to 270 SCC). They also apply to 'clear-cut cases', which are non-contentious matters or matters where the facts can be immediately proven or where the legal situation is straightforward and non-disputable (article 257 SCC).

Post-judgment relief

What post-judgment relief is available to successful claimants?

The successful claimant of a monetary claim can launch debt collection proceedings under the DEBA which also allows for attachment proceedings depending on the circumstances (see question 10).

For a non-monetary claim, if the judgment provides for an obligation to act, to refrain from acting or to tolerate something, the successful claimant may request the court execution measures as set out in question 12. If the judgment relates to a declaration of intent, the enforceable decision
takes the place of the declaration. If the declaration concerns a public regis-
ter, such as the land register or the commercial register, the court making
the decision must issue the required instructions to the registrar (article
344 SCCP).

19 Enforcement
What methods of enforcement are available?

As mentioned, the successful party can request execution measures in sup-
port of a non-monetary claim such as, for instance, the issuance of a threat
of criminal penalty under article 292 SCC or performance by a third party
(article 343 SCCP) (see questions 11 and 18). Moreover, the successful party
may demand damages if the unsuccessful party does not follow the orders of
the court; or conversion of the performance due into the payment of money.

In turn, monetary claims can be enforced under the DEBA. Eventually,
the proceedings set forth by the DEBA will lead to the seizure of any of
the unsuccessful defendant’s assets as well as garnishes (articles 89 et seq
DEBA) and their auctioning (articles 125 et seq DEBA). The seizure of a real
estate property will be automatically registered in the land register (article
101 DEBA).

20 Funding and costs
What funding arrangements are available to parties
contemplating or involved in litigation and do the courts have
any powers to manage the overall cost of that litigation?

Swiss law does not prohibit litigation funding arrangements. While a rather
limited phenomenon in practice, funding of civil litigation may be avail-
able through specialised litigation financing companies. Swiss law further
allows lawyers and their clients to negotiate fee arrangements to a cer-
tain degree. While purely contingency fee arrangements are prohibited,
arrangements according to which an incentive may be paid depending on
the success of the case are allowed.

In principle, the court will charge the procedural costs, which encom-
pass court costs and party costs as determined based on cantonal tariffs
(article 95 et seq SCCP), to the unsuccessful party (article 106 SCCP). Party
costs include the reimbursement of necessary outlays, the costs of profes-
sional representation and, in justified cases, compensation for personal
efforts if a party is not professionally represented. In general, the cantonal
tariffs are established based on the value in dispute, the complexity of the
matter and the time spent. Unnecessary costs are, however, charged to
the party that caused them (article 108 SCCP). In practice, the party costs
awarded by the courts to the successful parties do not cover the full costs of
the litigation which usually acts as a barrier for wanton proceedings. Swiss
courts have, however, no power to issue costs management orders.

Criminal asset recovery

21 Interim measures
Describe the legal framework in relation to interim measures
in your jurisdiction.

The SCCP provides for interim measures, in particular, in relation to the
remand and preventive detention of the suspect as well as to the seizure
of assets or items under specific conditions (articles 224 et seq and 263 et
seq SCCP).

According to article 263(1) SCCP, items or assets belonging to a sus-
psect/accused or a third party may be seized, if it is expected that such items
or assets will:
- have to be confiscated or will be used for the purpose of a claim for
  compensation (see questions 23 and 29);
- be used as evidence;
- be used as security for procedural costs or monetary penalties; or
- have to be returned to the persons suffering harm.

During the preliminary proceedings (which start when the police begin an
inquiry or the prosecutor opens an investigation), the seizure is ordered
by the cantonal or the federal prosecutor, depending on the offence under
investigation (articles 22 et seq SCCP). During the trial proceedings (which
start with the receipt by the court of the indictment rendered by the pro-
secutor), jurisdiction for seizure lies with the court (article 198(1) SCCP).

A seizure is ordered on the basis of a written warrant (‘seizure order’)
containing a brief statement of grounds (article 263(2) SCCP). In cases of
banking assets, the competent authorities can order the bank not to
disclose the seizure to the suspect/accused or any third party for a certain
period of time. It is noteworthy that Swiss banking secrecy is lifted in the
context of criminal proceedings.

The seizure of items and assets may be undertaken only if:
- it is permitted by law;
- there is reasonable suspicion that an offence has been committed;
- the aims cannot be achieved by less stringent measures; and
- the seriousness of the offence justifies the measure (article 197(1)
SCCP).

Furthermore, except in the case of a seizure ordered in relation to security
for procedural costs and monetary penalties or claim for compensation,
there must be a nexus between the items or assets seized and the offence
committed. Fishing expeditions are not allowed under Swiss law.

The continued fulfilment of the conditions underlying a seizure order
must be regularly examined by the criminal authorities. The longer the
seizure is maintained, the stricter the review of such conditions will be.
In case of seizure of assets for the purpose of a future confiscation, it
must appear prima facie that the assets could be confiscated. As long as the
investigation is pending a simple probability is enough. If the conditions
are no longer met, the seizure order must be revoked and the property
or assets handed over to the person entitled to them (article 267(1) SCCP).

According to Swiss case law and doctrine, the persons affected by the
seizure can request the seizure order to be revoked when there is a change in
the circumstances of the case and in particular, if the length of the proceed-
ings becomes disproportionate.

Once a seizure order or an order refusing to revoke the seizure has
been rendered, the suspect/accused, as well as third parties whose rights
have been directly affected by the order, can file an objection within 10
days after they have been served with the order or have been informed of
the order (articles 393 and 396 SCCP). Such an objection is, however, sub-
ject to the demonstration of a legitimate interest in the quashing or amend-
ment of the order (article 381(1) SCCP). It is noteworthy that the beneficial
owner of assets held with a bank does not have such legitimate interest.
The beneficial owner, therefore, does not have the right to file an objection
against the seizure order for such right belongs to the account holder.

22 Proceeds of serious crime
Is an investigation to identify, trace and freeze proceeds
automatically initiated when certain serious crimes are
detected? If not, what triggers an investigation?

The criminal authorities have the duty (ex officio or upon a criminal com-
plaint) to investigate and, if necessary, to prosecute offences under their
jurisdiction. In particular, they have to identify, trace and seize the pro-
ceds of offences depending on whether the seriousness of the offence
justifies the measure (see question 21).

Additionally, pursuant to Swiss law provisions against money launder-
ing, a financial intermediary must immediately file a report with the
Money Laundering Reporting Office Switzerland (MROS) and seize the
assets entrusted to it if it knows or has reasonable grounds to suspect that
the assets:
- are the proceeds of a felony;
- are connected to an offence of money laundering or of participation or
  support to a criminal organisation;
- are subject to the power of disposal of a criminal organisation;
- serve to finance terrorism (article 9 of the Federal Act on Combating
  Money Laundering and Terrorist Financing in the Financial Sector
  (AMLA));

The MROS then has the power to forward the reports to the competent
prosecution authority for further investigation (article 23 AMLA). The
prosecution authority will then be competent for the seizure of the assets.

23 Confiscation – legal framework
Describe the legal framework in relation to confiscation of the
proceeds and instrumentalities of crime.

Confiscation is regulated by articles 69 et seq SCC that provide for the con-
fiscation, irrespective of the criminal liability of any person, of:
- ‘dangerous objects’, (ie, objects used or that were intended to be used for
  the commission of an offence (instrumenta sceleris) or that have been
  produced as a result of the commission of an offence (producta sceleris);
assets that have been acquired through the commission of an offence or that are intended to be used to persuade the offender in the commission of an offence or as payment thereof; and

- assets of a criminal organisation (ie, assets that are subject to the power of disposal of a criminal organisation, in particular, assets of a person who participated in or supported a criminal organisation).

Assets other than assets belonging to a criminal organisation can only be confiscated if the assets:

- are directly and immediately connected to the commission of an offence;
- are still available; and
- have not been passed on to the person harmed for the purpose of restoring the prior lawful position (article 70 SCC).

As to the confiscation of assets acquired by a third party, see question 27.

The right to order the confiscation of assets is limited to seven years since the commission of the offence. However, if the prosecution of the offence is subject to a longer limitation period (article 97 SCC), this period applies (article 70(3) SCC).

24 Confiscation procedure

Describe how confiscation works in practice.

Confiscation can be ordered within pending criminal proceedings with the final decision (article 267(5) SCC)P or outside any criminal proceedings.

In the first case, the prosecutor has the competence to order the confiscation by way of any decision ending the proceedings (ie, a no-proceedings order (article 310 SCC)P; a ruling of abandonment of proceedings (article 320 SCC)P; or a summary penalty order (article 331 SCC)P). Similarly, the court has the competence to order confiscation within its final decision (article 355(1) SCC)P. When the requirements for the confiscation are fulfilled, the criminal authority must order the confiscation. The confiscation order is subject to appeal or objection depending on the nature of the decision which has been rendered (articles 322(2), 354 et seq and 399 SCC)P.

In case of separate confiscation proceedings (ie, when a decision is made on the confiscation of property or assets outside criminal proceedings (eg, because the Swiss authorities do not have jurisdiction over the offences)) (articles 376 to 378 SCC)P, see question 23), confiscation proceedings must be carried out at the place where the items or assets to be confiscated are located (article 377(1) SCC)P. The confiscation order can be challenged within 10 days by the person affected by the confiscation (article 377(4) and 354 et seq SCC)P. Following the opposition, the court will render a decision or order, which can be further challenged within 10 days (articles 393 et seq SCC)P.

Finally, both in cases where confiscation is ordered within pending criminal proceedings or in separate confiscation proceedings, official notice must be given of the confiscation in order to protect the third parties' right on confiscated assets. If the person harmed or third parties are identified only after the final decision has entered into force, the assets or items confiscated might be restored to them provided that they claim their rights on the assets within five years of the date on which official notice is given (article 70(a) SCC).

25 Agencies

What agencies are responsible for tracing and confiscating the proceeds of crime in your jurisdiction?

Generally, prosecutors have jurisdiction to investigate, trace and seize the proceeds of crime and to confiscate said proceeds while the courts limit their role to the confiscation of assets. As to the competence of the financial intermediaries/MROS, see question 22.

26 Secondary proceeds

Is confiscation of secondary proceeds possible?

Pursuant to Swiss case law and doctrine, the prosecutors or the courts are allowed to confiscate secondary proceeds (assets or items). However, there must be a paper trail that demonstrates a nexus between the secondary proceeds to be confiscated and the offence committed. If the proof of such nexus cannot be provided, the authorities would have to, should the requirements be fulfilled, uphold a claim for compensation (see question 29).

27 Third-party ownership

Is it possible to confiscate property acquired by a third party or close relatives?

Confiscation is not permitted if a third party (ie, any natural person or legal entity) has acquired the assets (after the commission of the offence); he or she has done so in ignorance of the grounds for confiscation; and provided such person has paid a sum of equal value, or confiscation would cause him or her to endure disproportionate hardship (article 70(2) SCC). However, regardless of the foregoing, the assets are subject to confiscation if the third party (eg, a corporation) received the assets directly from the offence.

28 Expenses

Can the costs of tracing and confiscating assets be recovered by a relevant state agency?

There is no specific provision under Swiss law dealing with the recovery by the criminal authorities of the costs of tracing and confiscation of assets. Such costs can, however, be considered part of the procedural costs and can be borne by the accused if the accused is convicted (article 426(1) SCC)P.

29 Value-based confiscation

Is value-based confiscation allowed? If yes, how is the value assessment made?

Value-based confiscation is permitted if the assets subject to confiscation are no longer available. In such a case, the court may uphold a claim for compensation by the state in respect of a sum of equivalent value (article 71 SCC). The amount of compensation must be equivalent to the value of the assets, would the assets still be available for confiscation. To calculate the amount of compensation, the criterion is usually the gross income and not the profit resulting from the assets. The value must be determined at the time the assets became unavailable.

30 Burden of proof

On whom is the burden of proof in a procedure to confiscate the proceeds of crime? Can the burden be reversed?

As a rule, the burden of proof in a confiscation procedure lies with the criminal authorities. However, regarding the assets of a person who participated in or supported a criminal organisation, it is presumed that the assets are subject to the power of disposal of the organisation until the contrary is proven (article 72 SCC).

31 Using confiscated property to settle claims

May confiscated property be used in satisfaction of civil claims for damages or compensation from a claim arising from the conviction?

Confiscated property or compensatory claims may be used in the satisfaction of civil claims for damages or moral satisfaction arising from an offence, up to the amount set by a court or agreed in a settlement, and subject to the following conditions:

- the person claiming compensation has suffered harm as a result of a felony or a misdemeanor;
- the person is not entitled to benefits under an insurance policy;
- it is anticipated that the offender will not pay damages or satisfaction; and
- the person harmed assigns the corresponding element of the claim to the state (article 73(1) and (2) SCC).

32 Confiscation of profits

Is it possible to recover the financial advantage or profit obtained through the commission of criminal offences?

Under article 70 SCC, all financial advantages obtained through the commission of a criminal offence can be confiscated. For instance, in case of a company's profit obtained after a corrupt public procurement process, such profit must be confiscated. Even if it is considered that the corporation is not criminally liable and hence is a third party, article 70(a) SCC does not apply when the company profited directly from the corrupt public procurement process (see question 27).
Update and trends

On 13 December 2013, the Swiss government adopted the dispatch to parliament on the new Federal Act for Implementing the Revised Financial Action Task Force Recommendations, which is now under review by parliament. The draft law will in particular introduce a new procedural offence for money laundering for serious cases in the area of direct taxation and an extension of the existing criminal offence of smuggling in the customs area to indirect taxation.

On 21 May 2014, the Swiss government further adopted the dispatch to parliament on the Federal Act on the Freezing and Restitution of Assets of Politically Exposed Persons Obtained by Unlawful Means (FRAPA), which aims at regulating comprehensively the seizure, confiscation and restitution of assets that foreign potentates, ousted or about to be deposed, have obtained by unlawful means and deposited in Switzerland. The draft law takes over existing legislation (in particular the RIAA) and practice and reworks them into a single body of law.

FRAPA’s key features are:
- The preventive administrative seizure of assets of politically exposed persons (PEPs) in view of an anticipated request for foreign legal assistance, the aim being to prevent in the meantime the dissipation of assets, provided that:
  - the government or part of the government of the country of origin has lost power or is about to be overthrown;
  - the country of origin is notorious for a high degree of corruption;
  - the assets are supposed to have been acquired by corruption, embezzlement, or other crimes; and
  - safeguarding Switzerland’s interests requires the freezing of such assets.
- The continuous administrative seizure of assets of PEPs (as already provided by RIAA, see question 36) in case of failure of a foreign legal assistance request when the state of origin:
  - qualifies as a failing state (as already provided by RIAA, see question 36); or
  - may not meet the basic procedural requirements of the European Convention for the Protection of Human Rights and Fundamental Freedoms of 4 November 1950 or the International Covenant on Civil and Political Rights of 16 December 1966 (this is new in comparison with RIAA).
- The obligation for any individual or corporation holding assets of supposed PEPs or with knowledge of the existence of such assets to report to the Swiss competent authorities, ie, the MROS.
- Targeted measures to support the state of origin in its efforts to obtain the restitution of assets of criminal origin transferred abroad, such as technical assistance by training the foreign authorities or the delegation of Swiss experts in the state of origin, or - more importantly - by transferring information including banking information, to enable the state of origin to prepare or complete a request of foreign legal assistance.
- The independent confiscation of PEP’s assets by Swiss authorities (as already provided by RIAA, see question 36), ie, in the absence of a valid request of mutual legal assistance or of a foreign judgment of confiscation from the state of origin, in particular where the state of origin:
  - qualifies as a failing state (as already provided for under RIAA, see question 36); or
  - may not meet the basic procedural requirements of the European Convention for the Protection of Human Rights and Fundamental Freedoms of 4 November 1950 or the International Covenant on Civil and Political Rights of 16 December 1966 (this is new in comparison with RIAA).
- The exclusion of third parties’ rights on the assets unless such right is a right in rem that has been acquired in good faith in Switzerland or abroad but has then been recognised by a judgment enforceable in Switzerland.
- The restitution of the seized assets must aim at enhancing the people’s conditions of life in the state of origin or strengthening the rule of law and the fight against impunity. Switzerland may take a capped fee of 2.5 per cent of the seized assets to cover its costs.

Further to the consultation procedure, the preliminary draft law has been amended on several points to take account of the comments and issues raised during this procedure concerning in particular the implementation of the duty to report with regard to frozen assets (creation of a single point of contact with the MROS) and the exchange of information with foreign authorities. The provision allowing the Swiss authorities to transfer information including banking information to enable the state of origin to prepare or complete a request of foreign legal assistance has been the most debated issue within the consultation procedure. As a result, the provision has been amended and now foresees that the MROS (instead of the Federal Department of Foreign Affairs) will be the competent authority to transfer this information.

This draft law has now been submitted to parliament for review and approval. When enacted, FRAPA will provide a more comprehensive and clearer legal framework, albeit sometimes very far-reaching.

33 Non-conviction based forfeiture

Can the proceeds of crime be confiscated without a conviction? Describe how the system works and any legal challenges to it. Confiscation can be ordered irrespective of the criminal liability of a person (article 69(1) SCC). In this respect, the SCCrP provides specific procedural rules allowing for a confiscation decision to be made independently of criminal proceedings (articles 376 to 378 SCCrP). First, property or assets that will probably be confiscated in independent proceedings is seized (article 377(1) SCCrP). If the requirements for confiscation (articles 69 et seq SCC) are fulfilled, the prosecutor orders their confiscation and gives the person concerned the opportunity to file observations (article 377(2) SCCrP). Conversely, if the requirements are not fulfilled, the prosecutor must order the abandonment of the proceedings and return the property or assets to the entitled person (article 377(3)).

The prosecutor or the court must also decide whether to accept the applications made by the person suffering harm for the confiscated property or assets to be used for his or her benefit (article 378 SCCrP).

For legal challenges, see question 24.

Finally, within criminal proceedings, the prosecutor can order a confiscation within a no-proceedings order or a ruling abandoning proceedings (see question 24).

34 Management of assets

After the seizure of the assets, how are they managed, and by whom? How does the managing authority deal with the hidden cost of management of the assets? Can the assets be utilised by the managing authority or a government agency as their own? As a rule, the holder of the assets or items that have been seized must hand them over to the competent criminal authority (article 265(1) SCCrP). As an exception, in certain circumstances, the following persons can refuse to hand over seized property: the suspect/accused; the persons who have the right to remain silent or to refuse to testify; and the corporate undertakings, if by doing so they could incriminate themselves (article 265(2) SCCrP).

The authority must safeguard the property and assets appropriately (article 266(2) SCCrP). It cannot use the assets as its own. Property that is subject to rapid depreciation or that requires expensive maintenance, as well as securities or other assets with a stock exchange or market price, may be sold immediately in accordance with the DEBA and the proceeds seized (article 266(1) SCCrP). The investment of seized assets is further regulated by the Federal Ordinance on the Investment of Seized Assets. In practice, the private managers of assets continue to manage them under the surveillance of the prosecutor. If taxes have to be paid or costs have been incurred, the prosecutor has to give its consent before the payments are made.
35 Making requests for foreign legal assistance

Describe your jurisdiction’s legal framework and procedure to request international legal assistance concerning provisional measures in relation to the recovery of assets.

Requests for international legal assistance concerning provisional measures must follow the legal framework applicable between Switzerland and the requested state (eg, bilateral and multilateral agreements such as the 1959 European Convention on Mutual Assistance in Criminal Matters, the 2001 Second Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters and the 1985 Convention Implementing the Schengen Agreement). Absent any applicable agreement, the request must follow the rules set up by the law of mutual legal assistance in criminal matters of both countries (ie, in Switzerland, the Federal Act on International Mutual Assistance in Criminal Matters (IMAC)).

36 Complying with requests for foreign legal assistance

Describe your jurisdiction’s legal framework and procedure to meet foreign requests for legal assistance concerning provisional measures in relation to the recovery of assets.

In an international context, a foreign state may request interim measures (eg, the seizure of assets) in order to preserve the existing situation, to safeguard threatened legal interests or to protect jeopardised evidence, provided that proceedings under the IMAC do not clearly appear inadmissible or inappropriate (article 18(1) IMAC).

Upon the request of a foreign state, seizure of assets is usually ordered by the prosecutor after delegation from the Federal Office of Justice (article 198(3)(a) SCC). Moreover, if any delay would jeopardise the proceedings and if there is sufficient information to determine whether all the conditions are met, the Federal Office of Justice may order the seizure of assets as soon as a request is announced. However, such measures are revoked if the requesting state does not make the request of mutual legal assistance within the set deadline (article 18(2) IMAC).

It is noteworthy that the seizure of assets on Swiss territory is considered to be within the exclusive jurisdiction of Swiss public authorities, and the execution of such measure on Swiss territory without passing through the channel of legal assistance constitutes a violation of Swiss territorial sovereignty and is a criminal offence (article 271(1) SCC).

Usually, the provisional measures remain in force until a final decision on the request for legal assistance is rendered. If objects and assets are to be handed over to the requesting state based solely on a final and enforceable order of that state (article 74a(3) IMAC), assets will remain seized until such order is issued or the requesting state notifies the competent executing authority that such an order may no longer be issued, in particular due to lapse of time (article 33a of the Ordinance on International Mutual Assistance in Criminal Matters).

37 Treaties

To which international conventions with provisions on asset recovery is your state a signatory?

Switzerland is party to several international conventions with provisions on asset recovery. In particular:

- the European Convention on Mutual Assistance in Criminal Matters 1959;
- the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988;
- the European Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime 1990;
- the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions 1997;
- the European Criminal Law Convention on Corruption 1999;
- the UN Convention for the Suppression of the Financing of Terrorism 1999;
- the UN Convention against Transnational Organized Crime 2000; and
- the UN Convention against Corruption 2003.

38 Private prosecutions

Can criminal asset recovery powers be used by private prosecutors?

Not relevant.

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