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This Fall

June 17, 2010

Swiss Approve Deal for UBS to Reveal U.S. Clients Suspected of Tax Evasion

By LYNNLEY BROWNING

Swiss lawmakers approved a final deal on Thursday to hand over to American authorities data on thousands of suspected tax cheats with accounts at [UBS](#), Switzerland's largest bank.

The Justice Department and the [Internal Revenue Service](#) plan to use the approval, which came after months of intense legal and diplomatic wrangling between the two sides and within Switzerland, as a springboard to force other Swiss banks to hand over details of similar clients, a person briefed on the matter said Thursday.

Through a tax treaty between Bern and Washington that forms the legal basis for requiring UBS to identify clients with undisclosed private banking accounts, the American authorities plan "to make treaty requests of other banks operating in Switzerland for these types of accounts," said this person, who spoke on the condition of anonymity because he was not authorized to speak publicly about the plan. "UBS was not the only bank."

The requests to other banks could begin within months, this person said.

The person declined to identify the other banks, but previous reports have said that Justice Department prosecutors have been looking at [Credit Suisse](#), Switzerland's second-largest bank, and [HSBC](#), one of the world's largest banks with Swiss operations.

Prosecutors are also scrutinizing banks in Hong Kong and Singapore, two growing offshore jurisdictions, the person said, and are using leads from 14,700 wealthy Americans who disclosed their [offshore banking](#) details last year under a voluntary disclosure program with the I.R.S.

The final accord came after the two houses of the Swiss Parliament agreed early Thursday to forgo a national referendum on the matter and instead adhere to an August 2009 deal under which Switzerland promised to disclose information on 4,450 UBS accounts held by wealthy Americans suspected of evading taxes. The accounts, some with multiple owners, held \$18 billion at one point, according to the I.R.S.

The prospect of a referendum had threatened to open up a new front in the American investigation into UBS because the bank would have missed the Aug. 24 deadline to hand over the account details, exposing it to further legal action. The Justice Department and the I.R.S. had threatened to revive a civil lawsuit demanding that UBS disclose 52,000 client names.

UBS said in a statement Thursday that it welcomed the approval and was confident it would meet the Aug. 24 deadline.

In 2009, UBS paid a \$780 million fine, turned over several hundred client names and entered into a deferred-prosecution agreement with the United States over activities in its offshore private bank. Switzerland, one of the world's largest offshore jurisdictions, holds nearly one-third of the estimated \$7 trillion in global wealth kept offshore.

The parliamentary approval was a watershed moment in the history of Swiss private banking, whose tradition of client confidentiality goes back centuries. Unlike United States law, Swiss law distinguishes between tax evasion, a civil matter rarely prosecuted, and tax fraud, a criminal matter.

The Swiss Federal Tax Administration said in a statement on Thursday that it had already processed about 3,000 of the 4,450 cases, and that most of the rest were being processed. The Swiss Federal Office of Justice said in a statement that "nothing now stands in the way of UBS client details being disclosed" in cases where the account holders do not challenge the data transfer. Americans who contest the handover, in Swiss courts, are obligated to notify the United States attorney general of their challenge, a move that effectively identifies them to the I.R.S.

The criteria that prosecutors will use in pursuing tax cheats through other banks mirrors the UBS criteria. UBS will generally disclose American clients who had unreported accounts of at least a million Swiss francs, or about \$988,000.

UBS will also disclose Americans who were the owners of secret offshore sham company accounts with that total. The accounts in question cover 2001 through 2008.

For accounts involving the concealment of funds, the submission of incorrect or false documents to UBS or the I.R.S., and what the I.R.S. terms “a scheme of lies,” the balance must be at least 250,000 Swiss francs, about \$247,000. UBS will also disclose accounts for which holders did not file a special disclosure document, called a W-9, over at least three years since 1998, and for which the accounts generated annual revenue to the client of at least 100,000 Swiss francs.

David Jolly contributed reporting.