



October 24, 2011

Swiss Banks Ready to Concede to IRS Demands

The IRS is investigating 11 Swiss banks (including Credit Suisse Group) suspected of helping wealthy American account holders hide taxable income in their offshore accounts. As a result, US and Swiss authorities are said to be at the final stages of a negotiated civil settlement that could see the Swiss pay billions of dollars and disclose personal banking information on thousands of suspected US tax evaders. This is basically what is demanded by the IRS, together with a pledge from the Swiss not to abet US taxpayers in dodging taxes again.

Switzerland is the country famed for its tax haven status and banking secrecy laws. The Swiss is preparing a final document for the Foreign Affairs Committee to be tabled before its Parliament's Upper House November 10. The number of banks that are to pay the amount required to bring this case to a close may exceed the 11 being investigated.

According to Swiss Finance Minister Eveline Widmer- Schlumpf, "We are aiming for an all-encompassing solution that will apply to all the banks. We don't want to be confronted with the same issues time and again."

This year, the Swiss have negotiated similar deals with Germany and the UK on untaxed assets. But in the negotiations with these countries, there was no obligation to disclose personal banking details of account holders. However, one of the demands of the IRS was a disclosure of the identities and information of suspected US tax evaders holding Swiss bank accounts. Although the final figure has yet to be determined, it is expected that the Swiss may disclose between 5,000 and 10,000 account holders' details.

Credit Suisse, Switzerland's second largest bank, said it was being investigated by the IRS and that 7 Credit Suisse bankers were indicted July 21 of assisting US clients in evading taxes using their Swiss bank accounts.

The other banks among the 11 being investigated by the IRS include HSBC Holdings Plc, Basler Kantonalbank, Wegelin & Co., Zuercher Kantonalbank, Julius Baer Group Ltd., Bank Leumi Le-Israel BM, Bank Hapoalim BM, and Mizrahi-Tefahot Bank Ltd, Liechtensteinische Landesbank AG and an asset manager, NZB AG.

Two years ago, Switzerland's largest bank, UBS Bank admitted to helping its US clients evade taxes and had to pay a fine of \$780 million and disclose banking details of more than 4,000 of its American clients suspected of tax evasion in lieu of criminal prosecution. UBS is not one of the banks under scrutiny in the latest round of investigations.

Among the banks under probe, 41% of Credit Suisse's total revenue amounting to 12.84 billion francs in 2010 was made from American clients. HSBC and Julius Baer declined to disclose how much they earned from their US clients.