



January 5, 2012

Swiss Bankers Charged by IRS Identified

The word is out. The identity of the three Swiss bankers charged by the IRS of abetting wealthy US taxpayers in avoiding taxes is revealed. The three work for Switzerland's Wegelin & Co and are accused of helping US taxpayers dodge taxes on more than \$1.2 billion in taxable income. The three are Michael Berlinka, Urs Frei and Roger Keller, who still remain employed at the Zurich branch of the bank.

In 2009 when the IRS began an intensive crackdown on offshore tax evasion in particular by Americans who hold Swiss bank accounts, many tax cheats fled Switzerland's larger banks like UBS AG and deposited their cash into smaller Swiss banks. St. Gallen-based Wegelin is Switzerland's oldest private bank. However, the indictment filed by US prosecutors did not name the bank, only calling it 'Swiss Bank A'.

The US and Swiss governments have been in talks to resolve the problem of offshore tax evasion. Officials are trying to reach a civil settlement with Swiss banks and resolve criminal probes of 11 banks, Wegelin being one of them.

Ever since the IRS started their probe on UBS AG's involvement in abetting tax evasion, the investigations have not stopped but have continued to other banks, namely Credit Suisse of Switzerland and HSBC Bank of England. Thus far, the IRS has charged at least 24 bankers, advisers and attorneys, including seven Credit Suisse bankers.

In 2009, the IRS won a major victory in the battle against tax evasion when UBS AG admitted to helping US taxpayers hide their assets in their bank accounts to avoid paying taxes. As a result, the bank paid a fine of \$780 million to avoid criminal prosecution and was forced to hand over personal banking details of more than 4,400 of its US customers suspected of dodging taxes to the Swiss government who then had to pass it on to the IRS.

The inevitable result of these events was the exodus of US tax cheats from larger Swiss banks to smaller ones to escape detection. According to the indictment, Keller, Frei, Berlinka and another unnamed individual (given the name 'Managing Partner A') took the opportunity to woo them into doing business with Wegelin. In addition, the bank, which is principally owned by eight managing partners, also sought business through a third-party website, SwissPrivateBank.com.

According to the indictment, Wegelin's selling point to these American taxpayers was that the bank was smaller in size and did not have an office outside Switzerland, making detection by the IRS much harder. As a result, the bank was "less vulnerable to United States law enforcement pressure."

The indictment added that, "In or about 2008, the managing partners affirmatively decided to take advantage of the flight of US taxpayers with undeclared accounts by opening new undeclared accounts for many of them at Swiss Bank A. Swiss Bank A opened new undeclared accounts for at least 70 U.S. taxpayers."

The three individuals face a prison term of at least 5 years if convicted. In the meantime, at least 17 other people based outside the US has been accused in the tax crackdown but have not responded to the charges in US courts.