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Tax Alert

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US extends Swiss bank tax inquiries

By Haig Simonian in Zurich

At least six more Swiss and one Liechtenstein private bank have attracted the attention of US prosecutors investigating whether Swiss bankers helped rich Americans evade tax.

The revelations, contained in the latest court documents, show how inquiries by the US authorities that started with **UBS** in 2007 have mushroomed to include a swathe of the country's financial sector.

No additional bank has been named. However, US investigators generally began by prosecutions of taxpayers with undeclared Swiss accounts, then indicted Swiss bankers and specialist advisers, followed by investigations into specific banks.

The latest information stems from indictments of a Zurich accountant allegedly specialising in forming sham offshore companies and foundations, and two former UBS bankers who left after the latter's decision to close its US business in 2008.

The documents show that numerous other Swiss private banks, at least one Liechtenstein group, and possibly two Swiss cantonal banks, are alleged to have knowingly opened accounts for UBS clients after the latter terminated the business at US pressure from 2008.

UBS eventually paid \$780m in a deferred prosecution agreement, while the US authorities received almost 5,000 client names in deals with the Swiss government that blew a hole in Switzerland's vaunted bank secrecy.

The latest revelations will put other banks, and Switzerland itself, under pressure to provide further names. In a landmark agreement with Washington in August 2009 to stave off more action against UBS, Bern agreed that further client names could be provided if it were shown that other banks acted similarly to UBS.

The latest court documents suggest not only that other private banks ran secret offshore accounts for rich Americans but that they also provided client advice – contrary to rules of the Securities and Exchange Commission, the US regulator.

Most damningly in the eyes of the US, the documents show banks took on former UBS clients in spite of the latter's recommendation that customers affected participate in a voluntary US disclosure programme. The banks and their client advisers argued that ex-UBS clients' data would be secure, as the banks concerned had no US presence.

The banks involved included Swiss private banks, one Liechtenstein company, and possibly two Swiss cantonal banks.

Basler Kantonalbank has already been named by previous indictments, but the latest papers suggest a second institution may also have been involved.

Basler Kantonalbank declined to comment.