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Bank Julius Baer Hit With \$547M Criminal Tax Evasion Penalty, Two Bankers Plead Guilty

Bank Julius Baer of Switzerland will pay a [\\$547 million penalty as two bankers individually plead guilty](#). The bank itself is charged with helping U.S. taxpayers hide billions in offshore accounts and cheating the IRS. The Bank's deferred prosecution agreement admits that it knowingly assisted U.S. taxpayer-clients in evading taxes. [The deal](#) requires the bank [to pay \\$547 million right away](#).

Under the deferred prosecution deal, if the bank flies right for the next three years, the charges will be dismissed. The charges are serious, including conspiracy to defraud the IRS, to file false tax returns and to evade federal income taxes.



A sign sits by the entrance to Bank Julius Baer & Company Ltd. in Geneva, Switzerland, on Friday, Oct. 16, 2015. (Photographer: Luke MacGregor/Bloomberg)

Two Julius Baer client advisers, [Daniela Casadei](#) and [Fabio Frazzetto](#), each plead guilty to one count of conspiracy to defraud the IRS, to evade federal income taxes, and to file false federal income tax returns. Ms. Casadei and Mr.

Frazzetto each face a maximum sentence of five years in prison. They are each scheduled to be sentenced on August 12, 2016.

Prosecutors confirm that from the 1990s through 2009, Julius Baer helped many of its U.S. taxpayer-clients evade their U.S. tax obligations, file false federal tax returns, and hide their accounts. Julius Baer opened undeclared accounts and allowed third-party asset managers to do the same. The two bankers who plead guilty, Ms. Casadei and Mr. Frazzetto, helped many U.S. clients with undeclared accounts.

Ms. Casadei, Mr. Frazzetto, and other bankers assured their U.S. clients that their accounts would not be disclosed to the IRS. Julius Baer was able to tout not having U.S. offices. The bank could assure U.S. clients that this simple fact made Julius Baer less vulnerable to pressure from U.S. law enforcement. In the end, of course, that proved to be untrue.

The financial stakes were large. In 2007, Julius Baer had approximately \$4.7 billion in assets under management relating to approximately 2,589 undeclared accounts held by U.S. taxpayers. From 2001 through 2011, Julius Baer earned approximately \$87 million in profit on \$219 million gross revenues from undeclared U.S. taxpayer accounts. Some of the bank's conduct sounds like something out of a Jason Bourne movie. To help U.S. taxpayers hide assets from the IRS, Julius Baer had many tricks, including these:

- Entering into code word agreements under which Julius Baer agreed not to identify the U.S. account holders by name within the bank or on bank documents. Instead, use a code name or number to reduce the risk that U.S. tax authorities would learn the real account holder identities.
- Opening and maintaining accounts for many Americans held in the name of foreign corporations, foundations, trusts, or other legal entities or non-U.S. relatives, helping them to conceal their beneficial ownership.

Julius Baer was aware that many U.S. account holders were evading U.S. taxes. It was no secret, nor was it a secret that the U.S. clients were breaking U.S. law. Internally at the bank, undeclared accounts held by U.S. taxpayers were even referred to as "black money," "non W-9," "tax neutral," "unofficial," or "sensitive" accounts. And the cover-ups were designed to protect the bank too.

Julius Baer told its bankers to avoid scrutiny from U.S. authorities when travelling to the U.S. One 2006 bank memo was called "U.S. Clients Do's &

Don'ts." The bank warned employees traveling to the U.S. to take precautions, including:

- 6 At Immigration . . . When asked by Officer what will you do while in the USA, say Business and of course some leisure, trying to take some time to enjoy your beautiful country. Proud government employees usually love this type of statement. One can throw in skydiving or another fun sport/activity. This tends to shift the questioning away from the business purpose to the 'fun time' part of the trip (carrying a tennis racket also puts the emphasis on "fun and games," and not on business)."

Communicating while in the U.S. was supposed to be clandestine as well:

- 6 Only use mobile phone[s] registered in and operating from Switzerland. Avoid phone calls from hotel to clients. It is recommended to purchase a telephone calling card from the post office, grocery stores, or electronic shops. This allows you to use practically any phone with no specific link left behind. The best is to pay for the calling card in cash. For ex: a 400 minutes local calling card costs less than \$50, but the rates can vary. Most cards can also be used to call anywhere abroad."

Julius Baer must pay its \$547 million penalty imminently. It then begins its three years under what was probably a carefully negotiated deferred prosecution agreement.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.