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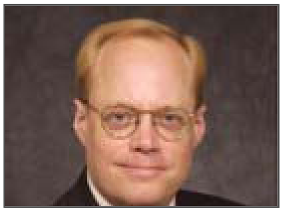

Robert W. Wood
THE TAX LAWYER

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Credit Suisse Goes To The Mattresses Over Tax Evasion

There are growing expectations that Credit Suisse and the U.S. Justice Department must be close to settling the bank's role in helping Americans evade taxes. The bank's CEO Brady Dougan and three other execs (General Counsel Romeo Cerutti, private banking and wealth management co-heads Hans-Ulrich Meister and Robert Shafir) face Sen. Carl Levin's Permanent Senate Subcommittee on Investigations February 26. The grilling is part of the continuing quest for answers to exactly how Credit Suisse and other banks so systemically and calculatedly aided American depositors.

It is unlikely to be an Apple computer love-fest similar to the one finessed by CEO Tim Cook. Still, the Senate scrutiny is distinct from the harsher DOJ talks that could yield a deal expected by many to cost the bank in excess of $800 million. That may seem to be a high price but it is still cheap compared to indictment and prosecution. Credit Suisse is one of 14 Swiss banks ineligible for what amounts to an IRS get out of jail free card.

UBS was the pioneer at striking a deal with the U.S. It famously made its deferred-prosecution deal in 2009, turning over thousands of names of American depositors and paying $780 million in fines. That launched a raft of IRS disclosure initiatives netting the U.S. billions in taxes and penalties. But the parade of sheepish Swiss banks remains.

Numerous other banks are taking an IRS deal that means full disclosure of American accounts and tiers of fines depending on how aggressively the banks behaved. The deal was not offered to the 14 Swiss banks under the dark cloud of U.S. investigation. That means criminal indictments and even corporate death remain possible for some of the 14.

After all, Wegelin & Co. pleaded guilty to conspiring to hide more than $1.2 billion from the IRS. It was ordered to pay over $57 million in restitution and fines and closed its centuries old doors. The stakes remain high enough that Valiant Holding, Berner Kantonalbank, and Vontobel Holding AG were the first banks to accept the harsh deal last year.

In all, a whopping 106 Swiss institutions took the IRS deal by the Dec. 31, 2013, deadline. The experience of UBS, Wegelin and Bank Frey suggest that resistance is expensive or futile. But Credit Suisse and 13 other banks are ineligible for the deal, and the pressure on Credit Suisse is palpable.

In 2011, the U.S. had already indicted several current and former Credit Suisse bankers. And there seems little doubt that the feds expect the Credit Suisse deal to exceed the value of the $780 million deal done by UBS 5 years ago. And for Credit Suisse, the hits just keep coming.

Only last week Credit Suisse agreed to pay the SEC $196.5 million over providing cross-border brokerage and investment advisory services to U.S. clients without registration. And under the SEC's new harsh regime, Credit Suisse is admitting wrongdoing too. Still, all of this seems small potatoes compared to the tax evasion beef that has roiled the country and nearly all of its institutions for more than half a decade.

There will be more and more probes into accounts and institutions that once seemed supremely secure. Once protected by custom and by inviolate Swiss bank secrecy, *everything* is different now. Indeed, we even have the global embrace of FATCA with its sea change to the face of worldwide financial transparency.

You can reach me at Wood@WoodLLP.com. *This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*