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French Criminal Tax Probe Of UBS---Talk About Déjà Vu

Talk about déjà vu. The U.S. government was outraged when it learned UBS was regularly sending Swiss bankers onto U.S. soil to recruit deposits from Americans. Actively recruiting depositors with the promise of secrecy—whether one characterizes them as otherwise law-abiding or plain old tax cheats—landed UBS in a world of hurt.



(Photo credit: twicepix)

And the John Doe summons heard round the world literally changed the face of Swiss banking. Now, it seems, it is France's turn to round up the usual suspects. If anything, France's claims sound even more colorful, as befits its sophistication.

The reports suggest that UBS bankers behind French lines engaged in elaborate secrecy, using a kind of banking tradecraft befitting Jason Bourne. Bankers were incognito, and had passwords and ruses worked out for eluding customs with encrypted computers. See [Tax Probe Targets UBS Unit In France](#).

In some respects, the fact that France has formally launched the criminal probe is no surprise. After all, an inquiry was opened regarding UBS

operations in France a year ago. But now the investigation is formal—and serious.

Under French law, only companies registered in France can lawfully sign customers in France. And while the American market may have been bigger, even the numbers in France sound big. Conversely, some of the bank's alleged practices sound positively quaint.

For example, some claiming knowledge of UBS tradecraft say bankers used milk notebooks—a tradition of Swiss dairymen—to record the rewards bankers could expect for sharing clients. Speaking of books, some say the investigation of UBS was sparked by a book. At least it was accelerated by it. See [UBS France under formal investigation in French tax evasion case](#).

It hardly portrays UBS in a flattering light. The book claims the bank systematically helped French account holders dodge taxes. “Ces 600 milliards qui manquent a la France,” or “The 600 billion missing from France.”

UBS has denied the book's accusations. Indeed, although UBS is cooperating now with French authorities and denies any wrongdoing, that too seems, well, déjà vu. Not only is the French subsidiary of UBS being investigated, but some employees are too.

It seems more than likely that deals for testimony could be made. It all sounds so familiar. In 2009, [UBS](#) agreed to enter into a deferred-prosecution agreement with the U.S. The giant bank eventually turned over 4,450 names and paid \$780 million in fines to the U.S.

But then other Swiss banks took over that business for American clients who fled UBS. Wegelin was one of them, and it was indicted, plead guilty and quickly went out of business. See [Swiss Bank's Tax Evasion Sentence Is Really Death](#). Of course, UBS will surely come through just fine no matter what France throws at it.

Taxes in France can be painful. See [French Tax Soars Over 100%](#). Some French can't take it any more. See [Nicolas Sarkozy And Carla Bruni To Flee 75% Tax Like Gerard Depardieu](#).

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.