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Swiss Bank to Reveal Suspected Tax Evaders

Swiss Bank Clariden Leu AG has sent letters by registered post to US account holders suspected of hiding their assets in their accounts to evade taxes informing them that they will disclose their identities to the IRS. This follows in the heels of a similar action Tuesday by Clariden Leu's parent bank, Credit Suisse who sent out its own letters to its own clients. Clariden Leu is Switzerland's oldest private bank.

In their separate letters, both Clariden Leu and Credit Suisse informed their American clients that the IRS has requested them to disclose personal details of accounts maintained anytime between January 1, 2002 and December 31, 2010. This is in accordance with the double taxation treaty between the United States and Switzerland.

In its website, Clariden Leu said, "The US Internal Revenue Service (IRS) recently submitted a request for administrative assistance to the Swiss Federal Tax Administration (SFTA) pursuant to the 1996 double tax treaty between Switzerland and the USA, seeking information with regards to accounts of domiciliary companies belonging to certain US persons as beneficial owners (the Treaty Request). In connection with the IRS Treaty Request, the SFTA has issued an order directing Credit Suisse AG to submit responsive account information to the SFTA."

This development is a significant step forward for the IRS in its continuous effort to flush out tax dodgers who use offshore accounts to hide their taxable income. Clariden Leu and Credit Suisse are not the only foreign banks in the cross hairs of the IRS. The agency is also investigating HSBC Holdings and Basler Kantonalbank (a large Swiss regional bank) for possible involvement in helping US taxpayers evade taxes.

The letter from Clariden Leu was written on its official letterhead dated November 2 and sent from its banking headquarters in Zurich, Switzerland. It was signed by two official signatories, Marcel Schmocker, head of legal and compliance for the bank's executive board and managing director Peter Schoch. The number of recipients of the letter is not known.

Credit Suisse, Clariden Leu's parent bank may be trying to strike a deal with the US Justice Department to avert possible criminal prosecution arising from the ongoing investigations, similar to what another Swiss bank, UBS Bank did 2 years ago when it paid \$780 million in fines in lieu of criminal prosecution. In July, the Justice Department sent a formal notice to Credit Suisse informing them that it was the subject of a federal criminal investigation into its offshore private banking services.

At the same time, the Swiss government is trying to craft an agreement with the US government that covers its entire banking industry that comprises about 355 banks. The Swiss wants the deal to cover accounts dating back to 2009 when UBS paid its fine of \$780 million. But judging from the two letters from Clariden Leu and Credit Suisse, it seems the US are unwilling to comply with the Swiss proposals.

The letters from Clariden Leu and Credit Suisse letter give the recipient two choices – agree in writing to the handover of their data to the Swiss tax authorities, who will then forward it to the IRS or hire a lawyer in Switzerland to fight their case, which is generally regarded as a pointless move because US law requires the American client contesting the handover to inform the US attorney general that he is doing so, which in turn effectively discloses his identity.