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# HSBC Clients With Asian Accounts Said to Face U.S. Tax Probe

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**More From Businessweek**

By Carlyn Kolker and David Voreacos

July 6 (Bloomberg) -- The Justice Department is conducting a criminal investigation of HSBC Holdings Plc clients who may have failed to disclose accounts in India or Singapore to the Internal Revenue Service, according to three people familiar with the matter.

“This is a global initiative by IRS and the Department of Justice,” said Robert McKenzie, an attorney at Arnstein & Lehr in Chicago who said he spoke to two people who got letters.

**The probes show how the U.S. is expanding its crackdown on offshore tax evasion beyond Switzerland and UBS AG, the largest Swiss bank, said Barbara Kaplan, a tax lawyer at Greenberg Traurig LLP in New York. London-based HSBC is Europe’s biggest lender by market value.**

**“It’s clear that the IRS and the Department of Justice are intending to pursue other depositors outside of Switzerland,” Kaplan said. “They’ve announced it before, and they are moving forward in that regard.”**

The letters could mean that prosecutors got data on HSBC account holders from the bank, McKenzie said.

“My speculation is that there has to be some level of cooperation within HSBC, or someone within HSBC providing these names to the government,” McKenzie said. “I would bet, under pressure, HSBC cooperated.”

HSBC spokeswoman Diane Bergan declined to comment.

The UBS Agreement

UBS avoided prosecution last year by admitting it aided tax evasion from 2000 to 2007, paying \$780 million, and agreeing to disclose secret account data on more than 250 clients. It later agreed to disclose data on another 4,450 clients.

Seventeen UBS clients, two bankers and three alleged enablers of tax crimes have been prosecuted since the bank signed the deferred prosecution agreement. Another 15,000 U.S. residents sought to avoid prosecutions last year by disclosing offshore accounts.

IRS Commissioner Douglas Shulman said last October his agency was scouring those disclosures “to identify financial institutions, advisers and others” who helped taxpayers cheat on taxes. He said the IRS is hiring 800 people in the next year and increasing staff in eight overseas offices, including Hong Kong. It also will open offices in Beijing, Sydney and Panama City.

Not Named

The letters don't mention HSBC by name yet are all directed to people with accounts at the bank, according to lawyers who saw them. About a dozen HSBC clients got letters in late June from Kevin Downing, a senior attorney in the Justice Department's tax division who led the UBS probe, according to the people.

Tax attorney Larry Campagna said that prosecutors often give taxpayers a chance to explain their accounts to the Justice Department. Campagna represents clients of banks in the offshore tax investigation and hasn't seen the letters.

Sometimes such letters leads to a guilty plea, and sometimes there's an explanation that causes a prosecution to drop the investigation, said Campagna of Chamberlain Hrdlicka in Houston.

The letters went to U.S. residents who have ties to India, including people who inherited money from relatives or maintained assets there after leaving the country, according to three lawyers who read them and asked not to be identified. Some letters referred to undisclosed bank accounts in Singapore, two of the lawyers said.

Not Just UBS

“We've been telling our clients that the non-disclosure of foreign accounts is not just a UBS problem,” said tax attorney Richard Sapinski of Sills Cummis & Gross in Newark, New Jersey, represents clients in the offshore investigation. He doesn't have a client who got a letter.

“We've spoken to the prosecutors and high-level people in the IRS, and our conclusion was they were going to pursue people with undisclosed foreign accounts anywhere for a very long time to come,” he said.

Several weeks ago, Downing toured Singapore, Hong Kong and Beijing, meeting with regulators and bankers about offshore tax prosecutions. He spoke to tax lawyers at a conference sponsored by New York University on June 18.

“We just took down the largest private wealth management bank in the world,” Downing said, referring to UBS. “Do you really think we’re going to have trouble doing the next one?”

No UBS Redux

He referred to his tour in Asia, saying: “Neither the banks nor the governments want to have a UBS-type situation. They want to do it nice and quiet. They don’t want to be the focus of attention. The Department of Justice and IRS are devoting a ton of resources to this issue.”

The Justice Department has charged three HSBC clients with tax crimes in the past year.

A Virginia surgeon, Andrew Silva, was sentenced to two years probation after admitting he hid assets at HSBC from U.S. tax authorities and smuggled more than \$200,000 in cash to his home when the bank said it would close his Swiss bank account.

Two Miami Beach hotel developers, Mauricio Cohen Assor and his son Leon Cohen Assor, were indicted on charges of hiding more than \$150 million in assets from the IRS, including accounts held at HSBC. They have pleaded not guilty and face a Sept. 7 trial in federal court in Fort Lauderdale, Florida.

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