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Swiss Clear UBS Path to Name U.S. Clients

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Pascal Lauener/Reuters

Lawmakers during the Swiss Parliament's session Thursday in Bern.

It is official: Switzerland is naming names.

After months of political wrangling, Switzerland's Parliament approved a law that will allow the Swiss government to turn over the names of thousands of alleged U.S. tax evaders to the Internal Revenue Service.

Under a deal struck last August between the IRS and Switzerland's largest bank by assets, UBS agreed to provide the IRS with the names of 4,450 Americans who held offshore accounts in Switzerland. The Justice Department had accused UBS of helping wealthy Americans evade taxes on as much as \$20 billion of income.

Thursday's vote, which essentially codifies the historic accord, didn't come easily. Some Swiss legislators had challenged the pact, arguing that it compromised the country's long tradition of bank secrecy. An earlier version of the legislation was rejected last week.

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[UBS May Have Already Disclosed Some Names](#)
- HedgeWorld News  
European Banks Settle Madoff Cases, Swiss Hold Out
- MarketWatch

Swiss Banks' Mantra of 'Go East' Carries Risks

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The vote is likely to have a major impact on how U.S. tax regulators pursue wealthy U.S. citizens with Swiss accounts.

"It's a strong signal that the era of bank secrecy is coming to an end," said Bryan C. Skarlatos, a partner with law firm Kostelanetz & Fink LLP who is representing UBS clients.

The IRS case is a window into a shadowy banking world in which wealthy citizens used shell companies and accounts as far afield as Hong Kong.

Many U.S. citizens hoping to avoid criminal prosecution or steep penalties have already come forward under an IRS amnesty program.

#### By the Numbers

- 4,450: UBS account holders whose names will be handed over to the IRS
- \$2.3 million: Possible penalties on a \$1 million foreign account hidden for six years
- 5: Maximum years in prison for criminal tax evasion
- As much as \$20 billion: Income on which taxes were evaded by UBS customers in the U.S
- \$780 million: Last year's settlement agreement by UBS Sources: UBS, Internal Revenue Service  
WSJ Research

But other UBS clients—and those from other Swiss banks— were still on the sidelines. Now their time is up, said William M. Sharp Sr., a Tampa, Fla., tax lawyer representing UBS clients: "For those on the 4,450 list who are still noncompliant, the Swiss government vote today is clearly the final wake-up call to initiate an IRS voluntary disclosure," he said. Since Wednesday, Mr. Sharp's firm, Sharp Kemm, has held six meetings in Tampa and Zurich with U.S. citizens who hadn't yet complied.

**The vote opens the door to deals between U.S. authorities and other Swiss banks. Already, some U.S. citizens who held accounts at other Swiss banks have come forward, said Barbara Kaplan, a tax attorney at Greenberg Traurig LLP in New York.**

UBS called the vote "an important step to support the resolution at the governmental level." UBS said it continues to comply with the separate settlement pacts with the Justice Department and Securities and Exchange Commission, adding that the Swiss bank "is confident that this will be achieved by the relevant deadlines in August 2010."

The IRS said it was pleased with the Swiss Parliament's vote.

"We will immediately follow up on the information we receive from the Swiss," IRS Commissioner Doug Shulman said. "And we will vigorously enforce the law against those who have attempted to evade their tax responsibilities by hiding their assets offshore."

Swiss tax officials, who had suspended processing the 4,450 names, are ready to hand over data on 1,200 accounts, a government spokeswoman said. The Swiss

have sent 500 names of clients who consented to the immediate transfer of their details to the IRS.

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