



What really happens in those Swiss banks



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The Credit Suisse building in Basel, Switzerland.

by Sabri Ben-Achour

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The Swiss bank Credit Suisse used a number of creative methods to move money internationally without being detected, according to a new report presented in the U.S. Senate Wednesday.

Executives from the bank were on Capitol Hill testifying to senators, some of whom accused the bank of helping U.S. tax evaders hide their money in Swiss bank accounts.

Credit Suisse has said any illegal activity was the result of rogue individuals, and not the express intention of the institution.

"Almost all business would be done in person," says Allison Murphy, counsel to the Senate subcommittee. That meant no ATMs or paper trails. People would meet with bankers in Switzerland, withdraw \$10,000 and take it with them. In one case, someone reportedly hid \$250,000 in pantyhose.

Murphy's office talked to one tax evader who recalled his meetings with bankers in Zurich.

"When he arrived to carry out his banking business, he would be escorted into a plain elevator with no buttons," she says. "The elevator would be controlled remotely. Nothing to push. It led him to a room, completely bare with walls painted white."

Bank statements were allegedly sometimes passed hidden in Sports Illustrated magazines. There was also a Credit Suisse branch in the Zurich airport with 9,000 accounts, more than any other branch, according to Murphy.

"For Americans traveling to Switzerland to go skiing, it would be so much easier to go to the airport to conduct their banking business," she says.

But Murphy says the big money was moved around in a much less sexy way – the old-fashioned shell company. Not all offshore companies are fake, of course, but Murphy believes many were.

But beyond the spy-like secret elevators, the offshore companies (worth \$6 billion, says Murphy), and the undergarments full of cash, there are probably a great deal of normal people in hot tax-related water when it comes to foreign bank accounts.

"It really is a misconception that this is all king pins and illegal money and money laundering," says Rob Wood, a tax attorney with Wood LLP and a columnist for Forbes. "If you are a domestic, regular-old U.S. taxpayer and you have a bank account down the street you get all these forms, the W2, 1099, the report of your investment income. You have all these forms and they are all keyed to your [social security numbers.] With a foreign bank account you don't get any of that."

On top of that, he says many tax advisors have improperly counseled clients that they "probably don't need to file tax returns in the U.S., as long as they are paying taxes somewhere."

That, he says, is false.

"You pay the taxes you should've paid at the time going back eight years, plus interest, plus a 20 percent penalty, plus another penalty at the end of the case, which is 27.5 percent of the aggregate offshore account balance," he

says, and that's just if you turn yourself in through an IRS amnesty program called the Offshore Voluntary Disclosure Program (OVDP).

If you don't turn yourself in and are caught, the fines can soar to more than the value of the account, and the criminal penalties can land you with a 10-year prison sentence.

James Bond movie, or Senate committee hearing?

It reads more like a plot pitch for the next spy thriller than a Senate report. But the laundry list of methods used by Credit Suisse's American clientele to hide assets is the kind of thing that cannot be made up.

- One woman flew to Switzerland with \$250,000 hidden in pantyhose wrapped around her body.
- Others were transported to private banking suites using secret, remote-controlled elevators.
- Credit Suisse bankers are said to have traveled to the states using tourist visas in order to recruit and do business with American clientele.
- One client received bank statements hidden between the pages of a Sports Illustrated Magazine.

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