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Swiss Bank's Demise: Glass Half Empty Or Half Full?

UBS paid \$780 million to settle with the IRS but seems to have emerged just fine. The smaller and older Wegelin pled guilty and agreed to close. See [FATCA Cliff: Tax Evasion Guilty Plea And Death For Oldest Swiss Bank](#). Wegelin's bleak deal included smaller numbers, of course, \$20 million of restitution, a \$22 million fine and \$15.8 million more for fees. Were there high fives at the Department of Justice (DOJ) and IRS? Perhaps.

But no matter how harsh the Wegelin deal may seem, some in Switzerland and elsewhere seem strangely mollified by this stark news. It could have been much worse, the sentiment goes. For other players, there may even be more room now. See [Swiss banks see hope for tax probe deals after Wegelin demise](#).

With branches only in Switzerland, Wegelin claimed to be bound only by Swiss banking laws, brazenly scooping up deposits after UBS jettisoned Americans. Yet Wegelin capitulated and pleaded guilty, due in part to the nature of its activities. That's why many expected a harsh deal.



A Swiss flag flies above a branch of Swiss banking giant UBS. (Image credit: AFP/Getty Images via @daylife)

That could bode well for Credit Suisse, Julius Baer and others. It does not mean the pressure is off but it could ease. Negotiations between the U.S. and Switzerland industry-wide may continue as may institution-by-institution deals.

Wegelin is the first foreign bank to plead guilty to U.S. tax charges. See [Swiss bank Wegelin to close after U.S. tax evasion fine](#). It was indicted less than a year ago and almost immediately thereafter was sold. And [FATCA's](#) new disclosure rules put a huge number of foreign institutions in the IRS compliance crosshairs. See [Expats Call For FACTA Repeal](#).

The U.S. made overtures to 11 banks. See [IRS Makes Swiss Cheese Of Swiss Banks](#). [Credit Suisse](#) surrendered statistical data on American account holders to U.S. authorities on September 11, 2011. In December of 2011, U.S. officials offered it and 10 other Swiss banks [a deal](#) that would obviate criminal prosecution in return for disclosing full information on their U.S. offshore business. Most did, albeit with encrypted data.

Meanwhile, Switzerland may be looking for more cooperation from the U.S. government rather than protracted negotiations or additional indictments. While there may be fundamental conflicts between disclosure and the traditions of Swiss banking, the Swiss are finding ways to honor their traditions and still satisfy the IRS and DOJ. Given the new transparency of [FATCA](#), that is probably good for everyone.

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