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### Swiss Banque Pictet Admits Conspiring With Americans To Hide Funds



Swiss private bank Banque Pictet et Cie SA has admitted that it conspired with U.S. taxpayers and others to hide more than \$5.6 billion in 1,637 secret bank accounts in Switzerland and elsewhere, and to conceal from the IRS the income generated in those accounts. The bank entered into a deferred prosecution agreement and agreed to pay approximately \$122.9 million to the U.S. Treasury. It is almost 2024 now, but these cases go back to Justice Department investigations since 2008 into facilitation of offshore U.S. tax evasion by foreign banks.

“As it has admitted today, Banque Pictet knowingly conspired to conceal from the IRS the income generated by accounts which held more than \$5.6 billion,” said U.S. Attorney Damian Williams for the Southern District of New York.

“Thanks to the hard work of the career prosecutors of this Office and our law enforcement partners, Banque Pictet has agreed to pay more than \$122.9 million and will continue to cooperate with the Department of Justice. Rooting out financial malfeasance remains a priority for this Office, and we encourage companies and financial institutions to come to us to report wrongdoing before we come to you.”

“This case should provide a clear message to others who try to hide their assets and income offshore. Our special agents are experts in following the money, and they are the best at uncovering schemes that try to defraud the U.S. tax system,” said IRS Criminal Investigation Chief Jim Lee. “Offshore tax evasion is a priority for IRS Criminal Investigation, and today’s deferred prosecution agreement with Bank Pictet collects more than \$120 million owed to the U.S. government.”

According to court documents, The Pictet Group was founded in 1805 and is a privately held Swiss financial institution headquartered in Geneva that has historically operated as a general partnership and, since 2014, as a corporate

partnership. A limited number of managing partners, generally eight or fewer, collectively known as “The Salon,” own and manage the Pictet Group.

As of Dec. 31, 2014, the Pictet Group had approximately 3,800 employees in various locations, primarily in Switzerland, but also in Luxembourg, Hong Kong, Singapore and the Bahamas. The Pictet Group operates two main business divisions: institutional asset management and private banking for individuals.

From 2008 to 2014, Pictet Group’s private banking division was operated by the group’s following banking entities: the Swiss bank (Banque Pictet & Cie SA); Pictet & Cie (Europe) SA, headquartered in Luxembourg; Bank Pictet & Cie (Asia) Ltd. in Singapore and the Bahamian bank, Pictet Bank & Trust Ltd. The Pictet Group provided offshore corporation and trust formation and administration services to certain U.S. taxpayers, first through the Estate Planning and Trust Services unit and later through a wholly owned subsidiary called Rhone Trust and Fiduciary Services SA (Rhone).

As of Dec. 31, 2014, the Pictet Group’s private banking division managed or held custody of approximately \$165 billion in assets under management (AUM). From 2008 to 2014, the Pictet Group served approximately 3,736 private accounts that had U.S. taxpayers as beneficial owners, whose aggregate maximum AUM, including declared assets, was approximately \$20 billion.

Although Pictet Group adopted early measures to confirm that U.S. clients complied with U.S. law, from 2008 through 2014, the Pictet Group assisted certain U.S. taxpayer-clients with Pictet Group accounts in evading their U.S. tax obligations and otherwise hiding undeclared accounts from the IRS.

In total, from 2008 through 2014, the Pictet Group held 1,637 U.S. Penalty Accounts with aggregate maximum AUM of approximately \$5.6 billion in

January 2008, on behalf of U.S. taxpayer-clients, who collectively evaded approximately \$50.6 million in U.S. taxes. The Pictet Group assisted U.S. taxpayer-clients with evading their U.S. taxes by opening and maintaining undeclared accounts for U.S. taxpayer-clients at the Pictet Group, either directly or through external asset managers.

The Pictet Group also maintained accounts of certain U.S. taxpayer-clients within the Pictet Group in a manner that allowed the U.S. taxpayer-clients to further conceal their undeclared accounts from the IRS. The Pictet Group and certain of its employees knew or should have known that some of their U.S. taxpayer-clients were evading U.S. taxes. In every instance, managing partners approved the opening of new private client relationships and were informed of the closing of U.S. taxpayer-clients' accounts, which included some undeclared accounts.

The Pictet Group used a variety of means to assist U.S. taxpayer-clients in concealing their undeclared accounts, including by:

- forming or administering offshore entities in whose name the Pictet Group opened and maintained accounts, some of which were undeclared, for U.S. taxpayer-clients;
- opening and maintaining undeclared accounts in the names of offshore entities formed by others for U.S. taxpayer-clients;
- opening and maintaining Private Placement Life Insurance policy accounts, also called insurance wrappers, held in the name of insurance companies but beneficially owned by U.S. taxpayers and improperly managed or funded through undeclared accounts at the Pictet Group;

- transferring funds from undeclared U.S. taxpayer-client accounts to accounts nominally held by non-U.S. clients but still controlled by U.S. taxpayer-clients via fictitious donations, thus assisting U.S. taxpayer-clients in continuing to maintain undeclared funds offshore;
- providing traditional Swiss banking products such as hold-mail account services, where account-related mail is held at the bank rather than sent to the client, and coded or numbered accounts and
- accepting IRS Forms W-8BEN or Pictet Group's substitute forms that the group knew or should have known falsely stated or implied under penalty of perjury that offshore entities beneficially owned the assets in the undeclared accounts.

The \$122.9 million Banque Pictet agreed to pay to the U.S. Treasury pursuant to the deferred prosecution agreement consists of (i) \$52,164,201 to the United States, which represents gross fees (not profits) that the bank earned on its undeclared accounts between 2008 and 2014; (ii) \$31,844,192 in restitution to the IRS, which represents the unpaid taxes resulting from Banque Pictet's participation in the conspiracy and (iii) a \$38,950,998 penalty. The Bank further implemented remedial measures to protect against the use of its services for future tax evasion.

In addition to the payment, Banque Pictet also agrees under the deferred prosecution agreement to accept responsibility for its conduct by stipulating to the accuracy of an extensive statement of facts. Banque Pictet further agreed to refrain from all future criminal conduct, implement remedial measures and cooperate fully with further investigations into hidden bank accounts. If Banque Pictet continues to comply with its agreement, the United States has

agreed to defer prosecution of Banque Pictet for a period of three years, after which time the United States will seek to dismiss the charge.

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