



The End of Banking Secrecy

In the wake of the collapse of Switzerland's oldest private bank, following threats of prosecution by the United States government, an expert from Canary Wharf-based global risk specialists mi2g considers what lies ahead for Swiss banks and their privacy

Established 270 years ago, Wegelin and Co bank has managed to survive every threat posed to it across three centuries; revolution, financial disaster and war, including the Sonderbund civil war and being invaded by Napoleon then Hitler. Thus the bank weathered every storm but one: an assault by the United States government. The attack on Swiss banking secrecy by the US has sought to reclaim the funds lost through tax evasion schemes sold to its citizens.

Remarkably, Wegelin neither had offices nor employees in the United States. It was 100 per cent Swiss and violated no Swiss law. However, US authorities believed that a handful of Wegelin's US clients were hiding assets and not paying taxes. The fact that the bank wasn't subject to US law and had zero legal responsibility in ensuring their customers filed

tax forms became irrelevant. The US government ultimately crushed Wegelin by threatening the bank with lawsuits, investigations, Internal Revenue Service (IRS) penalties and criminal charges levied personally against the bank's directors.

The US Department of Justice (DoJ) has been steadily closing a net around Swiss banks ever since the UBS admission of assisting tax evasion by US citizens in 2009. That year, UBS avoided US prosecution by paying \$780 million (£491) and handing over confidential data. Ever since the DoJ and the US tax authority – the Internal Revenue Service (IRS) – have been building cases against other Swiss banks that are alleged to have either opened secret accounts from scratch or poached UBS clients who wanted to dodge the tax-evasion crackdown like Wegelin.