The U.S. and Switzerland agreed to resolve a long-running dispute over offshore tax evasion by letting some banks voluntarily disclose wrongdoing and turn over account information on American clients, a senior Justice Department official familiar with the matter said.

The accord divides Swiss banks into four tiers: 14 banks under criminal investigation; those allowed to avoid prosecution by disclosing wrongdoing; those without wrongdoing to disclose; and those complying with U.S. anti-tax evasion law, according to the person, who isn’t authorized to discuss the matter publicly and asked not to be named. Total penalties by banks making voluntary disclosures could exceed $1 billion, the person said.

The pact lets Switzerland, the world’s largest offshore financial center with about $2.2 trillion of assets, resolve negotiations spanning two years after U.S. criminal prosecutions eroded Swiss bank secrecy. Those under investigation include Credit Suisse Group AG (CSGN), the second-largest Swiss bank.

“The program enables all banks in Switzerland to settle their U.S. past quickly and conclusively and creates the necessary legal certainty,” the Swiss Bankers Association, which represents more than 300 banks, said yesterday after the Swiss government made an earlier announcement.

The accord will require banks making disclosures to describe fully how they enabled tax evasion, including third-party advisers and other professionals involved, the person said. They also must disclose information on an individual basis about U.S. clients with direct or indirect ownership of accounts, including their dollar values, the person said.

**HSBC Holdings**

The U.S. will still investigate wrongdoing by the 14 financial institutions, including HSBC Holdings Plc (HSBA), the largest European bank, and Julius Baer Group Ltd. (BAER)

The Justice Department typically resolves cases against companies in one of two ways. One is charging a company and dropping the case if the company admits wrongdoing, pays penalties and changes practices. The other is not prosecuting a company while requiring it to admit wrongdoing, make payments, and improve operations.

UBS AG (UBSN), Switzerland’s largest bank, avoided prosecution by paying $780 million in 2009, admitting it aided U.S. tax evasion and handing over data on 4,500 accounts.

Since then, 38,000 U.S. taxpayers avoided prosecution by voluntarily disclosing offshore accounts to the Internal Revenue Service and detailing the bankers, lawyers and advisers who helped them. The U.S. prosecuted more than 90 people for offshore tax crimes, including two dozen enablers. Wegelin & Co., the oldest Swiss private bank, pleaded guilty in January and handed over $74 million.

**Cooperators, Whistle-Blowers**

As it investigates, the U.S. has received information from cooperators, whistle-blowers, the IRS voluntary disclosure program, and subpoenas, according to the person. The accord will require banks to hand over information under the U.S.-Swiss double-taxation treaty, the person said.

Banks that make voluntary disclosures could be subject to penalties of 20 percent of the value of accounts in mid-2008, according to the person. Those penalties could increase for accounts after early 2009, when UBS reached its deferred-prosecution agreement.

The Justice Department has focused recent prosecutions on U.S. taxpayers and their professional enablers who hid accounts.

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**Bloomberg**

**U.S., Swiss Said to Reach Deal in Offshore Tax Probe**

By David Voreacos, Catherine Bosley and Giles Broom - Aug 29, 2013

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from the IRS after they exited UBS.

Credit Suisse, Julius Baer and HSBC’s Swiss private bank have said they expect to pay a fine to settle their disputes with the U.S.

**Welcome Step**

“We welcome this as a step towards a resolution of the issue as a whole,” said Andres Luther, a spokesman for Credit Suisse, commenting on the Swiss government statement.

Yesterday’s announcement doesn’t affect HSBC as it’s already under investigation, according to David Bruegger, a Zurich-based spokesman for the bank.

“We are continuing our discussions,” he said. “We are in close contact with the authorities and will stay in touch until a solution is found.”

Julius Baer declined to comment.

The announcement comes after the Swiss Parliament in June rejected a bill that would have given banks a yearlong legal reprieve and allowed them to settle with the U.S. by handing over information on employees and third parties who worked with American clients. It would also have established legal protection for bank employees.

**Sidestepping Secrecy**

“The Swiss have finally decided to deal with the issue of creating an exception to Swiss bank secrecy by employing an administrative procedure to avoid legal challenges and a public referendum, which could otherwise defeat any settlement,” said Milan Patel, a former IRS trial attorney who is now a partner at Zurich-based law firm Anaford AG. “It also avoids the long diplomatic procedures.”

The banks under investigation by the Justice Department can use a 1996 tax agreement to respond to requests for names of American clients, the Swiss government said on May 29. That depends on the U.S. authorities providing a sufficiently detailed description of the matter to establish suspicion of fraud or similar offenses.

The U.S. Senate has yet to ratify a 2009 protocol revising the 1996 accord to make it easier for Swiss banks to hand over data on clients suspected of tax evasion to the IRS.

Banks that aren’t currently under investigation that may have breached U.S. laws with undeclared assets would have to pay fines on accounts exceeding 50,000 francs ($54,407) under the proposal, Tages-Anzeiger reported yesterday.

To contact the reporters on this story: David Voreacos in Newark, New Jersey, at dvoreacos@bloomberg.net; Catherine Bosley in Zurich at cbosley1@bloomberg.net; Giles Broom in Zurich at gbroom@bloomberg.net

To contact the editors responsible for this story: Michael Hytha at mhytha@bloomberg.net; Frank Connelly at fconnelly@bloomberg.net

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