



CLIENT ALERT
JULY 2011

INTERNATIONAL BANKS UNDER INVESTIGATION IN WAKE OF UBS SETTLEMENT

Coming off an enormously successful tax evasion investigation into Swiss bank UBS AG, the United States Justice Department has now set its sights on additional Swiss banks in the hopes of obtaining further monetary settlements and the disclosure of American tax evaders. Notably, this past week the Justice Department announced that Switzerland's second largest bank, Credit Suisse, is now a formal target of criminal inquiry regarding private banking services to U.S. taxpayers. While still in its early stages, an investigation into Credit Suisse will likely produce a result similar to that of the UBS investigation, namely the disclosure by Credit Suisse of numerous U.S. citizen account holders to the IRS and a substantial monetary fine imposed upon Credit Suisse.

Once an international tax-haven for the wealthy, the Swiss private banking industry was effectively dismantled when a 2009 investigation into UBS AG, Switzerland's largest bank, concluded in UBS turning over the account information of over 4,500 U.S. customers and paying a fine of Seven Hundred Eighty Million Dollars (\$780,000,000) to avoid prosecution. In addition, in 2010 the Swiss Parliament formally ratified the settlement agreement, making it legal for UBS to disclose the private account information and paving the way for additional U.S. investigations into other Swiss banks.

The Justice Department took swift advantage of these recent developments in Swiss law. In February 2011, the U.S. indicted four (4) former Credit Suisse bankers on charges of conspiring to aid U.S. tax payers to evade taxes through private bank accounts. In addition, this past week the Justice Department opened a formal criminal inquiry into Credit Suisse, beginning with requests for information and subpoenas. Credit Suisse has thus far cooperated with U.S. officials; however as the investigation progresses the bank may be less inclined to oblige requests from the Justice Department, especially if a massive settlement or the disclosure of private account information becomes imminent. As such, the Credit Suisse investigation will likely resemble that of UBS, and devolve into a heated showdown between the private banking industry, and the U.S. and Swiss governments.

Other international banks are undoubtedly following the Credit Suisse investigation closely, as the Justice Department has signaled that the Swiss banking investigations are only the beginning. Specifically, alleged tax havens elsewhere in Europe, as well as Israel and Hong Kong, may be next on the Justice Department's list. Therefore, as discussed in previous client alerts, many Americans are taking advantage of the IRS's 2011 Offshore Voluntary Disclosure Initiative (the "Initiative"), which was designed to encourage taxpayers with unreported offshore bank accounts to come forward and avoid severe monetary penalties and possible criminal prosecution. The Initiative has been extended through August 31, 2011.

Our Firm is intimately involved in monitoring these events and will continue to provide you with pertinent updates as more information becomes available. If you have any questions about the matters covered in this Client Alert, or wish to schedule a private consultation, please call Terrence A. Oved, Esq. of Oved & Oved LLP by telephone at 212.226.2376 or contact by email at terry@ovedlaw.com.

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