

## Paths to Compliance | How accounts will be revealed to the IRS

Thousands of Americans have secret accounts with UBS.



Those who turn themselves in  
✓ DEADLINE: Sept. 23



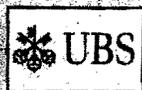
IRS will collect the voluntary disclosures in Philadelphia.



On a rolling basis, UBS provides account names to the Swiss Federal Tax Administration, which decides which accounts to disclose to American authorities. UBS has agreed to turn over 4,450 account identities.



Those who don't turn themselves in



In either case, the IRS reviews for possible criminal violations, determining whether a civil or criminal case will be brought.

# UBS to Give 4,450 Names to U.S.

## Tax-Evasion Pact May Disclose 10,000 Clients; Swiss Government Selling Stake

**T**HE U.S. could within months begin criminally prosecuting hundreds of wealthy Americans—from the obscure to the “rich and famous”—for using foreign bank accounts to evade income taxes.

In a settlement with the Swiss government detailed Wednesday, the Internal Revenue Service said Swiss bank UBS AG will ultimately

*By Carrick Mollenkamp,  
Laura Saunders and  
Evan Perez*

turn over the identities behind 4,450 secret accounts.

At least \$10 billion had been stashed to avoid payment of U.S. taxes or the disclosure of foreign accounts, according to a person familiar with the matter. The U.S. government investigation and settlement ultimately could produce some 10,000 account identities.

Separately, the Swiss government said it is exiting from its six



Swiss President Hans-Rudolf Merz, left, and Swiss Justice Minister Eveline Widmer-Schlumpf in Bern at Wednesday's settlement announcement.

billion Swiss franc (\$5.6 billion) investment in the bank, made as part of a rescue package at the height of the financial crisis. It was lining up investors to buy its 332 million shares late Wednesday, and the sale was expected to be completed soon. No details on the sale price were given.

The disclosures in the tax settlement represent a major crack in

Swiss bank privacy, where a tradition of discretion has been a hallmark. After a long court battle—and skirmishes in closed, diplomatic sessions—the U.S. and Swiss governments detailed the process by which those names will be revealed to U.S. tax officials and criminal prosecutors.

The process is a balky one, involving cooperation between

Swiss and U.S. tax authorities that has little precedent. The first release of about 500 identities will get under way in the next few weeks, with the remainder released in batches in the months ahead.

The names will be first turned over to a Swiss tax administration in Bern, the Swiss capital, which will review the names before they are transmitted to U.S. authorities. The IRS, working with the Justice Department, then will review the cases to determine whether they should be criminally prosecuted.

Lawyers advising UBS clients said the identities will run the gamut. All likely have assets in UBS accounts totaling more than \$1 million and used complex trusts and foundations in the Cayman Islands, British Virgin Islands, Liechtenstein and Hong Kong to enshroud their identities.

“The names released will include well-known personalities, and if the IRS prosecutes it could

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# BBVA Likely Is Winner Of Guaranty Financial

**Banco Bilbao Vizcaya Argentaria SA**, the second-largest bank in Spain, won a U.S. government auction for **Guaranty Financial Group Inc.**, a Texas bank that has been warning for months it was on the verge of collapse because of swelling losses, according to people familiar with the situation.

The purchase, expected to be announced by the end of this week, marks the first time since the financial crisis erupted that

*By Jeffrey McCracken,  
David Enrich  
and Robin Sidel*

a non-U.S. financial institution has swooped in to take over a failing U.S. bank. As part of the deal, banking regulators plan to seize Guaranty and then hand it to BBVA, these people said.

BBVA is one of the strongest banks in the world, having avoided many of the troubles staggering the industry by sticking to the humdrum business of taking deposits and making loans. That play-it-safe strategy puts the Spanish bank in position to pick up pieces of banks that won't survive, and analysts have been expecting BBVA to pounce.

The bank's current U.S. operations include roughly 600 branches scattered from Florida to California, most of them acquired in the 2007 takeover of Compass Bancshares Inc., based in Birmingham, Ala. Earlier this year, Francisco González, BBVA's chairman and chief executive, told Federal Deposit Insurance Corp. Chairman Sheila C. Bair that the bank was interested in

ture with Hong Kong and mainland-based **China Everbright Ltd.** The venture is the latest example of closer commercial ties

der management to more than \$300 billion.

—Enda Curran in Sydney contributed to this article.

# UBS to Give Names In Tax-Evasion Pact

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 be very embarrassing," said Charles E. Falk, a Mendham, N.J., attorney who represents more than two dozen UBS clients.

Disclosure of the U.S.-Swiss deal generated a flurry of calls to tax attorneys from worried UBS clients. In recent weeks, many already had come forward through an IRS disclosure program. William M. Sharp Sr., a Tampa, Fla., tax lawyer, said the government, by keeping the names secret, is likely to spur evaders to report themselves to authorities.

On Wednesday, U.S. and Swiss officials, operating simultaneous press conferences, both claimed victory for a carefully crafted seven-page settlement that respects both nations' laws.

"This is no mere keyhole into the hidden world of bank secrecy," IRS Commissioner Douglas Shulman said. "This agreement represents a major step forward with the IRS's efforts to pierce the veil of bank secrecy and combat off-shore tax evasion."

In Bern, President Hans-Rudolf Merz said the agreement respects Swiss law. The Swiss negotiators achieved an agreement that preserves Switzerland's "important interests," Mr. Merz said in a press conference.

But both the IRS and the Justice Department will be under pressure to ensure that the names of the UBS clients ultimately end up in the hands of the IRS. That the settlement allows the Swiss government to first review the names raised concerns that the process could drag out. In a statement, Sen. Carl Levin, (D., Mich.), who chairs a Senate panel that has revealed many off-shore banking secrets, including those at UBS, in recent years, said: "The UBS settlement is at most a modest advance in the effort to end bank secrecy abuses, tax haven bank misconduct, and the tax haven drain on the U.S. treasury. It will take a long time before we know whether this settlement will produce meaningful gains."

UBS's name has been stained over the past two years by a multitude of problems: billions of dol-

lars in losses tied to U.S. subprime securities and the U.S. tax-evasion probe, which was aided by a whistleblower former private banker. Slowly, under Chief Executive Oswald Grübel, the bank is trying to move forward.

Swiss and U.S. officials intensified talks in June but remained far apart on details. U.S. officials, for example, wanted assurance that UBS clients couldn't use Swiss tribunals to cause endless delays in producing account information. Swiss officials demanded that the Justice Department drop any threat of possibly punishing UBS if the tribunals blocked some data release.

U.S. Deputy Attorney General David Ogden, the highest ranking official handling the case, convened a June 9 video conference call with Swiss Justice Minister Eveline Widmer-Schlumpf, according to people familiar with the call. The two agreed a deal was possible to avert a July hearing

in Miami and to push lawyers to try to produce an agreement, these people said.

By July, talks still dragged on. Swiss authorities filed a court brief threatening to block any release of account data even if a U.S. court ordered UBS to produce the information. At one point, the Justice Department said it would ask a court to declare UBS in contempt. Mr. Ogden and Michael Leupold, a deputy Swiss Justice minister, talked by phone on Aug. 6 and 7 to try to move the talks along.

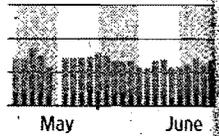
The sides were close enough that the officials set up a visit by a Swiss delegation to Washington. Mr. Ogden convened a final meeting with Mr. Leupold and Michael Ambuhl, a senior Swiss diplomat, on Aug. 11, with lawyers at the Justice Department building in Washington.

In the end, both sides made concessions: U.S. officials agreed that the cases would proceed first through a Swiss review system. Swiss officials found a way to turn over the names in a way that they say continues to maintain banking secrecy.

—David Crawford contributed to this article.



Kaspar Villiger



\* P/E data based on as-reported

## Major U.S. Stock

Dow Jones	
Industrial Average	93
Transportation Avg	366
Utility Average	37
Total Stock Market	1028
Barron's 400	22

Nasdaq Stock Market	
Nasdaq Composite	19
Nasdaq 100	160

Standard & Poor's	
500 Index	9
MidCap 400	64
SmallCap 600	29

Other Indexes	
Russell 2000	56
NYSE Composite	650
Value Line	27
NYSE Arca Biotech	86
NYSE Arca Pharma	28
KBW Bank	4
PHLX® Gold/Silver	14
PHLX® Oil Service	17
PHLX® Semiconductor	29
CBOE Volatility	2

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## Commodities and

Pricing trends on some strength of the U.S. dol-

DJ-UBS Commodity	12
Reuters-Jefferies CRB	12
Crude oil, \$ per barrel	12
Natural gas, \$/MMBtu	12
Gold, \$ per troy oz.	12
U.S. Dollar Index	12
U.S. dollar, JPM index	12
Euro, per dollar	12
Yen, per dollar	12

## How the Largest

Largest fund vs. the broad market

■ American Fds Gro/A  
 ■ DJ Total Stock Market

