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Credit Suisse CEO to Testify at U.S. Tax Evasion Hearing (2)

By Alan Katz and David Voreacos February 24, 2014

Credit Suisse Group AG Chief Executive Officer Brady Dougan will testify this week at a U.S. Senate committee's hearing on offshore tax evasion, increasing pressure on the largest of 14 Swiss banks under criminal investigation for helping Americans cheat on taxes.

Dougan, who leads the second-largest Swiss bank, will appear Feb. 26 with three other executives, the Senate Permanent Subcommittee on Investigations said today. Deputy Attorney General James Cole and Assistant Attorney General Kathryn Keneally also will testify to a panel examining why the Justice Department hasn't resolved those criminal probes sooner.

Credit Suisse, based in Zurich, agreed last week to pay \$197 million to U.S. regulators and admitted it serviced thousands of Americans without approval. Seven of its bankers were charged in a 2011 indictment that said Credit Suisse used secret accounts to help U.S. citizens hide \$4 billion from tax authorities. Credit Suisse and prosecutors haven't been able to reach a settlement in the criminal case.

"The Senate is going to take Credit Suisse to task for assisting U.S. taxpayers in not paying their U.S. taxes," said tax attorney Bryan Skarlatos of Kostelanetz & Fink LLP. "There's going to be a lot of questions about why the bank and the Justice Department haven't come to a resolution in the criminal investigation. The hearing is likely to break the logjam and put pressure on the DOJ and the other banks."

Senator Carl Levin, a Michigan Democrat and the chairman of the committee, has long questioned the U.S. crackdown on a Swiss banking industry that used secret accounts to hide offshore assets from the Internal Revenue Service. Levin estimates that offshore tax-avoidance costs the Treasury \$100 billion a year.

Thousands of Accounts

Swiss bank secrecy began to erode in February 2009, when the U.S. charged UBS AG ([UBS:US](#)), the largest Swiss bank, with helping Americans cheat the IRS. UBS avoided prosecution by paying \$780 million, admitting it fostered tax evasion and handing over data on thousands of American accounts.

Since then, the U.S. has charged more than 70 U.S. taxpayers and about three dozen offshore enablers

with using undeclared accounts to hide assets from the IRS. More than 43,000 Americans avoided prosecution through an IRS amnesty program. More than 100 Swiss banks have also sought non-prosecution agreements with the Justice Department.

Taxpayers have given the IRS a wealth of leads about offshore banks and advisers that has allowed the U.S. to build criminal cases that weren't previously possible because of the way Swiss bank secrecy shielded client identity. Swiss law typically bars the disclosure of data about accounts.

The data helped underpin criminal probes of 14 firms, including Credit Suisse; (CSGN) HSBC Holdings Plc (HSBA), the largest European bank; and Julius Baer Group Ltd. (BAER), Switzerland's third-largest wealth manager, court filings show.

'Put on the Spot'

Credit Suisse disclosed in July 2011 that it was the target of the Justice Department probe, signaling that prosecutors had substantial evidence linking the bank to a crime. The bank has since said that it's cooperating with the investigation.

"They will be put on the spot," said Christopher Wheeler, a London-based analyst at Mediobanca SpA. "This takes it to a new level."

UBS also went before Levin's committee in 2008 to answer questions about helping Americans evade taxes. Mark Branson, the bank's chief financial officer of global wealth management at the time, testified at the hearing.

Hans-Ulrich Meister and Robert Shafir, the co-heads of Credit Suisse's Swiss private banking and wealth management, will also testify, as will Romeo Cerutti, the bank's general counsel. Cerutti and Meister are based in Zurich, according to the committee. Credit Suisse spokesman Marc Dosch confirmed the executives' participation and declined further comment.

"Brady Dougan has to answer a lot of tough questions about the bank's past practices and the banking industry in Switzerland," said Martin Press, a tax attorney in Fort Lauderdale, Florida. "Credit Suisse has negotiated an SEC settlement, so they're obviously cooperating with the government."

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