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Foreign Insurers’ Role in U.S. Tax Evasion Under Scrutiny

A Swiss asset management firm, Swisspartners Group, agreed to pay $4.4 million to the United States to settle a probe into whether it helped U.S. taxpayers evade their federal income taxes, the U.S. Department of Justice announced on Friday.

From about 2001 to about 2011, according to a Justice Department statement, Swisspartners helped its U.S. clients open and maintain undeclared foreign bank accounts, which allowed them to avoid paying taxes in full.

The announcement of the settlement comes as the Justice Department and Credit Suisse, Switzerland’s second largest bank, are in intense negotiations to resolve a long-running investigation into that bank’s alleged involvement in helping Americans evade U.S. taxes.

A source familiar with that investigation said the Justice Department’s deal with Swisspartners could influence the course of the Credit Suisse case.

The U.S. Attorney for the Southern District of New York, Preet Bharara, whose office negotiated the settlement, said Swisspartners avoided criminal charges “as a direct result of its decision to self-report misconduct.”

The source familiar with the Credit Suisse probe said it was notable that Swisspartners had turned over what the Justice Department said were 110 account files “relating to U.S. taxpayer-clients who maintained undeclared assets overseas.”

Unlike banks such as Credit Suisse, investment advisers and asset managers like Swisspartners are not subject to stringent Swiss bank secrecy laws that forbid disclosure of information about the identity of customers, the source said.

U.S. authorities have insisted Credit Suisse plead guilty to some kind of criminal charge. The bank, however, believes it might be able to negotiate a more favorable deal, but it has been advised by Swiss authorities that it would violate Swiss law to turn over all the information the United States is seeking about its U.S. customers.

Earlier, Swiss authorities allowed Switzerland’s largest bank, UBS, to turn over information identifying American clients to U.S. authorities, resulting in a “deferred prosecution,” rather than guilty plea, deal between U.S. authorities and UBS.

The source familiar with the Credit Suisse investigation said Credit Suisse is hoping the deal struck by Swisspartners, which does not involve a guilty plea, might help convince Swiss authorities to grant the bank some kind of waiver of Swiss bank secrecy rules so it too could negotiate a more lenient deal.

Court papers and a Justice Department news release say that insurance company subsidiaries of Swisspartners based the Cayman Islands and Liechtenstein were also parties to the non-prosecution agreement with U.S. authorities, suggesting U.S. investigators may also be looking at the role of foreign insurance companies in helping Americans to evade taxes.

The non-prosecution agreement (NPA) was entered into between the U.S. Attorney’s Office, on the one hand, and swisspartners Investment Network AG and the following three wholly-owned subsidiaries on the other: swisspartners Wealth Management AG, a Zurich-based company that establishes and manages entities such as foundations and trus swisspartners Insurance Co. SPC Ltd., a Cayman Islands-based life insurance carrier that offers life insurance and annu products; and swisspartners Versicherung AG, a Liechtenstein-based insurance carrier that offers a variety of insurance and annuity products.

"This office will continue to work aggressively to hold accountable not only those U.S. taxpayers who evade their tax obligations by hiding money overseas, but also those abroad who make such tax evasion possible," said Preet Bharara, U.S. Attorney for the Southern District of New York

(Reporting By Julia Edwards and Mark Hosenball; Editing by Sandra Maler and Chris Reese)