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[IRS-UBS Deal Likely Brought to Swiss Voters](#)

Last year, the IRS and Switzerland's UBS Bank hammered out a deal where UBS agreed to disclose names of 4,450 American depositors suspected of stashing the cash in their UBS accounts to avoid paying taxes, against Swiss banking laws. But although the agreement was made between the two parties, the court in Switzerland declared the agreement illegal because it violated Swiss secrecy laws. This led to the matter being brought to the Swiss houses of parliament.

Last Tuesday, the Swiss lower house of parliament voted 81 to 61 against releasing the personal information of account holders, with 53 abstentions. Furthermore, it also voted to let a national referendum decide whether to allow the deal to go ahead. This latest development has become a setback to the US Justice Department, the IRS and UBS. It is no secret that many Swiss citizens are not altogether happy that the famed Swiss secrecy laws in banking are compromised by this deal.

However, the Swiss upper house had voted against the referendum and both houses of parliament are due to try and come to a mutual decision sometime soon. The IRS-UBS deal set August 24 as the deadline for handing over the details of the depositors. This means that the Swiss houses of parliament must meet to resolve this issue before the current parliament session ends in order to meet the deadline. Swiss law dictates that it must take no more than 100 days to organize a referendum and organizers must obtain at least 50,000 signatures to put any matter up to the vote.

A reliable source said the earliest Switzerland could have a national referendum would be February and that it would seek an extension to the deadline. But the IRS are not inclined to wait that long. It intends to revive a civil suit against UBS to compel it to reveal 52,000 names of its American depositors, if they do not disclose the details of the 4,450 by the deadline. The civil suit, known as a John Doe summons, is distinct from the earlier criminal investigation on UBS that resulted in the bank being fined \$780 million in a deferred prosecution agreement for assisting wealthy Americans use their Swiss bank accounts to evade taxes.

If UBS reneges on the agreement to disclose the details of the 4,450 depositors, it is likely that US prosecutors would hold that as a violation of the deferred prosecution agreement. This could lead regulators to revoke UBS' banking license in the US.

