

GETTING PERSONAL: Foreign Bankers Look To US Amid Tax Pressure

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NEW YORK (Dow Jones)--A crackdown on tax evaders has bankers in several European countries feeling like they're playing a mix of poker, Monopoly and chess as they move to protect client money.

Some winnings may go to U.S. financial firms.

Advisers in Switzerland, Luxembourg and elsewhere are seeking safer ground for client money as their nations come under pressure to tighten up tax rules. The U.S. Justice Department is suing UBS AG (UBS) over thousands of bank accounts it managed for people who allegedly hid them from the Internal Revenue Service.

Money is already moving out of banking centers like Switzerland and Luxembourg, though data on exactly how much is scarce, says C. Steven Crosby, senior managing director, global wealth practice at PricewaterhouseCoopers.

Wilmington Trust Corp. (WL) in Delaware has had inquiries by people who want to move money back onshore, says Chief Fiduciary Officer Kemp Stickney. The reason, he says, is that they may think it's safer to have assets held in the U.S., "as opposed to some foreign jurisdiction that may change the tax rules or rules on withdrawing funds."

Advisers overseas are "seeking a favorable trust jurisdiction in a tax-compliant environment," says Dan Lindley, president of the Northern Trust Co. of Delaware.

Northern Trust has had numerous overseas inquiries since the Organization For Economic Cooperation and Development first published a list in April ranking countries by how well they comply with international tax standards.

Swiss banks are essentially in limbo about accepting U.S. money, according to Alfred Mettler, associate professor at Georgia State University's Robinson College of Business who makes the analogy to a complicated game that requires strategy. Even retail banks in Switzerland are refusing to open new accounts for Americans.

One piece of the puzzle for bankers is the likelihood that tax agreements between the U.S. and Switzerland will be revised. Another is the UBS case. And, banks had been waiting to see how much ground Switzerland would have to concede on a recent double-taxation agreement.

"Once the UBS case is resolved in whatever way, then there will be a solution as to how Swiss banks deal with new money from U.S. clients," Mettler says. "It cannot be that all Swiss banks unilaterally refuse any and all business from U.S. clients."

The question of what might happen with U.S. money already in Swiss bank accounts is far more complicated, according to Mettler. The Swiss tax authority may look into whether any solution found for UBS might be applied for other Swiss banks with the same business, according to Mettler.

A client who doesn't have anything to hide won't mind going to another bank.

"If a client wants to hide assets from the IRS, their options of where to deposit the money are drastically fewer," says Mettler.

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