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## Dow Jones Newswires

### Bank Expert: Financial Settlement in UBS vs. IRS Realistic

By Katharina Bart  
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ZURICH (Dow Jones)--UBS AG (UBS) will likely opt for a swift, if costly, settlement in its scrap with the U.S. Internal Revenue Service rather than allowing it to drag on and continue damaging its private banking business, a banking expert said Tuesday.

The Zurich-based bank is reported to be nearing a settlement with the U.S. tax authority ahead of July 13, when the two are scheduled to face off in a Miami court. Unlike an earlier deal with the Department of Justice, settling the civil probe need not include the transfer of confidential client data, said Alfred Mettler, associate professor at Georgia State University's Robinson College of Business.

"It's not uncommon under U.S. law to make an estimate of damages and agree on a fine to settle the matter," instead of poring over the details, which in this case would mean handing over client data to the IRS, Mettler said.

He sees it as vastly preferable for UBS to put the IRS probe behind it, even if it comes at a financial cost as high as 5 billion Swiss francs (\$4.63 billion), a figure reported by Swiss newspaper Sonntag Sunday.

However, detailed estimates of how much UBS might have to pay are hard to make without viewing the client data and probing what wrong-doing, if any, UBS encouraged or aided its clients to carry out.

"Clearly, if UBS has broken the law, it will have to take whatever the punishment is," Mettler said.

The dispute stems from a now closed business which offered wealthy U.S. citizens financial services from Switzerland. The spat has already cost UBS dearly as it is at least partly to blame for massive outflows of client funds.

The private banking unit, which serves well-heeled private clients and retail customers in Switzerland, suffered withdrawals of CHF23.4 billion in the first quarter, after CHF123 billion left last year.

Last week, UBS said fund outflows of an unspecified amount continued in the second quarter, which the bank reports Aug. 4.

A spokesman for UBS declined to comment on any aspect of the IRS case or a potential settlement between the two parties.

Though UBS is in no position to dictate terms, the bank is seen as desperate to reach a settlement, which could pave the way for much-needed stability and security to return to its private banking unit, which will be hard-pressed to restore client trust until then.

The civil suit represents UBS' largest worry in the unit which it has staked its future on. After over \$50 billion in write-downs on illiquid securities and a streak of quarterly losses, UBS is dramatically scaling back its other major arm, the investment bank.

-By Katharina Bart, Dow Jones Newswires