Crying Foul, Ex-UBS Banker Starts Prison Term

By BRENT KENDALL And ARDEN DALE

Former UBS AG private banker Bradley Birkenfeld, the key informant in the landmark U.S. case against the Swiss banking giant, reported to a federal prison in Pennsylvania Friday, while his lawyers stepped up their criticism of the U.S. Justice Department for prosecuting him.

Mr. Birkenfeld, speaking by phone while traveling to the Schuylkill County Federal Correctional Institution in Minersville, Pa., said prosecutors and the courts had treated him differently from the kinds of tax cheats he revealed to the government.

"Every single UBS client is pretty much walking away free, either house arrest or probation," said Mr. Birkenfeld, who began serving a 40-month sentence for helping UBS clients evade U.S. taxes. He pleaded guilty in 2008 and was sentenced last August.

Mr. Birkenfeld has spent recent months seeking to have his sentence reduced or postponed. And he has questioned the Justice Department’s decision to indict him, given his role in helping U.S. tax authorities reach two major settlements with UBS that poked unprecedented holes in Swiss bank secrecy.

Mr. Birkenfeld lawyer Stephen Kohn said his client was "the most important tax whistleblower in history" and called his imprisonment "a disgraceful miscarriage of justice."

"This decision is not only grossly unfair and personally harmful to Mr. Birkenfeld, it will also have a radical chilling effect on the willingness of other bankers to step forward and expose fraud," Mr. Kohn said.

UBS agreed last February to pay $780 million as part of a deal to avoid
criminal prosecution for helping wealthy Americans evade taxes. And in August, the bank agreed to disclose the identities of about 4,450 of its U.S. clients who are suspected of hiding offshore accounts.

Prosecutors have conceded that they had no case against UBS without Mr. Birkenfeld's cooperation, but they said they sought jail time for the banker because he wasn't forthcoming about his own role in the scheme, an allegation that Mr. Birkenfeld denies.

Justice Department spokesman Charles Miller said Friday that Mr. Birkenfeld "pleaded guilty to conspiracy to defraud the United States and admitted criminal wrongdoing." Mr. Miller also noted that the trial judge in the case rejected Mr. Birkenfeld's requests for leniency.

Mr. Birkenfeld is pressing the Internal Revenue Service for a rich payout for exposing the Swiss bank's conduct. A 2006 tax-informant law, designed to encourage people to report big-dollar cases of tax evasion, provides for an award of between 15% and 30% of the tax proceeds the IRS recovers thanks to an informant's information. Mr. Birkenfeld's claim, which could bring him tens of millions of dollars, could take years to resolve.

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