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Swiss halt deal with U.S. that IDs Americans with secret UBS bank accounts

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Americans who hid money from the Internal Revenue Service in secret Swiss bank accounts may escape exposure, at least for now.

An [agreement between the U.S. and Swiss governments](#) that was supposed to blow the cover on 4,450 accounts at Switzerland's largest bank is in danger of collapse.

The Swiss government said Wednesday that it has suspended the disclosure of information to the United States under the agreement and may seek to renegotiate the deal.

The announcement came days after a Swiss court ruled that it would be illegal for Switzerland to comply with the August accord. The court essentially declared that long-standing secrecy protections trumped the agreement. The decision came in a test case involving a UBS account holder who was fighting to stay in the shadows.

Switzerland's parliament may have the power to salvage the agreement by endorsing it and giving it greater legal force. But even as it noted that possibility, the Swiss government said it would begin by reopening talks with the United States.

The discussions could lead to "material changes" in the agreement, Justice Minister Eveline Widmer-Schlumpf said at a news conference Wednesday in the Swiss capital, Bern, the Associated Press reported.

In a brief statement, the IRS offered no hint of a compromise.

"The United States has an agreement with the Swiss government to produce information on US account holders at UBS. We expect the Swiss government to continue to honor the terms of the agreement," the IRS said.

Since the agreement was signed, Switzerland has turned over information in six cases. Those account holders consented, Swiss Justice Ministry spokesman Folco Galli said.

The latest developments reopen a long-running legal and diplomatic battle over UBS, which admitted last year that it defrauded the U.S. government by helping Americans dodge taxes. Under a February ["deferred prosecution" agreement](#), UBS agreed to pay the United States \$780 million, and the United States agreed to not pursue a potentially crippling criminal case against the bank -- at least temporarily. The U.S. government later ratcheted up a civil suit against UBS, trying to force it to divulge details about 52,000 accounts that had not been declared to the IRS. The Swiss government said it would block

UBS from complying with any such court order.

The two governments reached a compromise in August that called for the Swiss to review 4,450 accounts for potential disclosure. The agreement included no explicit guarantee that at the end of the process Switzerland would turn over the names, but the U.S. government seemed to take that for granted.

"I have every reason to trust the Swiss government and expect that we will get these accounts," IRS Commissioner Douglas Shulman said at the time.

If Switzerland fails to deliver the information, the IRS could resume the civil suit against UBS. What's more, following through on the criminal prosecution of the bank "cannot be excluded," the Swiss Justice spokesman said.

In a statement Wednesday, UBS said it "welcomes the fact that the Swiss Federal Council is pursuing a dialog with the US authorities."

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