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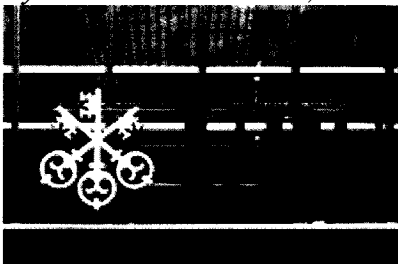
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Swiss Lower House Backs UBS Treaty, Asks for Possibility on Popular Vote

By Klaus Wille - Jun 15, 2010



The UBS AG company logo sits at the bank's headquarters in Zurich. Photographer: Peter Frommenwiler/Bloomberg

Lawmakers in the Swiss lower house today backed a government treaty with the U.S. to disclose account details about UBS AG clients, moving closer to resolving a two-year conflict over suspected tax evasion.

Deputies supported the agreement by 81 votes to 61. They also backed a proposal to give voters the chance to put the treaty to a nationwide referendum, placing them at odds with the upper house, which rejected such a move. The treaty may be scuppered unless lawmakers find a common ground on every aspect of the deal by the end of the week.

UBS, the country's biggest bank, and the Swiss government have been trying to avert lawsuits in the U.S. by agreeing to hand over data of as many as 4,450 suspected tax dodgers. Failure to approve the treaty may lead the U.S. to take retaliation measures, putting UBS's American business at risk.

"Lawmakers will eventually approve the treaty without calling for a referendum," said Franco Taisch, a professor of business law at the University of Lucerne. "The question is too important" for Switzerland and the current situation "doesn't help our reputation abroad."

The referendum isn't a "killer criterion," Toni Brunner of the Swiss People's Party told Swiss public television today in an interview after the vote. The party had called for the referendum possibility

during today's debate.

The Swiss government was forced to turn to parliament after the Federal Administrative Court ruled in January that the tax deal wasn't fully enforceable under Swiss law. While some lawmakers tried to tie their approval to tougher rules for Switzerland's banking industry, supporters argued that a rejection could harm other Swiss banks and have an impact on the country's export industry.

Political Credibility

"This is about our political credibility and our political reliability," Swiss Justice Minister Eveline Widmer-Schlumpf said today during the debate in Bern. A rejection would cause "massive economic disadvantages," and the government would like to tackle "questions of the future."

UBS spokesman Dominique Gerster declined to comment on the house vote.

UBS rose 30 centimes, or 2 percent, to 15.51 francs today in Zurich as the dispute moved closer to a possible resolution. The lower house in a first vote last week rejected the treaty. The stock has declined 3.4 percent since the start of the year.

The treaty needs approval and a common ground on the referendum question in both chambers of parliament to come into force. The upper house already rubber-stamped the accord and voted against the possibility for a popular referendum.

Parliament Session

Both chambers have until June 18, the last day of the parliament's session, to resolve their differences regarding the referendum. During that process, each chamber will deal with the issue in one more separate session. Failure to reach an agreement would result in a joint commission trying to get over the disagreements.

The U.S. Internal Revenue Service said today its position remains unchanged and that it will monitor the situation in Switzerland as the parliamentary session nears its end.

"We have an agreement with the Swiss government which calls for them to provide us with the names and other information of approximately 4,500 U.S. account-holders at UBS," IRS spokesman Frank Keith said in a statement.

"We expect that the Swiss government will honor the agreement it signed and will do so within the agreed upon timeframes," Keith said. "While we look forward to a positive resolution of this matter, we remain prepared to use all available options, including the U.S. courts, should the present efforts fail."

Terms of Deal

According to the deal with the U.S. government, Switzerland has until August to order disclosure of the UBS client data. A popular vote would mean that the country can't stick to the treaty's timetable.

A vote for a referendum in both chambers doesn't necessarily mean that such a vote will be held. At least 50,000 Swiss voters or eight of the countries' 26 cantons have to sign a request for a so-called "optional referendum" to hold such a popular vote.

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