



PRESS RELEASE

Internal Revenue Service - Criminal Investigation
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Justice Department Announces Piguet Galland & Cie SA Reaches Resolution under Swiss Bank Program

The Department of Justice announced today that Piguet Galland & Cie SA (Piguet Galland) has reached a resolution under the department's [Swiss Bank Program](#). Piguet Galland will pay a penalty of more than \$15 million and continue to cooperate with the department.

"The veil of secrecy has been lifted from what was once a common place for criminals to hide their money offshore," said Chief Richard Weber of IRS-Criminal Investigation (CI). "By requiring banks to follow the laws already in place and not turn a blind eye to criminal activity, the success of the Swiss Bank Program echoes around the world. The American public expects and deserves the enforcement of the U.S. tax laws to ensure the integrity and fairness of our nation's tax system."

"With each agreement signed under the Swiss Bank Program, we gain a deeper understanding of the historical patterns and practices of entities and individuals around the world facilitating U.S. tax evasion," said Acting Assistant Attorney General Caroline D. Ciraolo of the Justice Department's Tax Division. "We are analyzing the information received, pursuing investigations, and remain committed to holding those involved accountable through both civil and criminal enforcement efforts."

The Swiss Bank Program, which was announced on Aug. 29, 2013, provides a path for Swiss banks to resolve potential criminal liabilities in the United States. Swiss banks eligible to enter the program were required to advise the department by Dec. 31, 2013, that they had reason to believe that they had committed tax-related criminal offenses in connection with undeclared U.S.-related accounts. Banks already under criminal investigation related to their Swiss-banking activities and all individuals were expressly excluded from the program.

Under the program, banks are required to:

- Make a complete disclosure of their cross-border activities;
- Provide detailed information on an account-by-account basis for accounts in which U.S. taxpayers have a direct or indirect interest;
- Cooperate in treaty requests for account information;
- Provide detailed information as to other banks that transferred funds into secret accounts or that accepted funds when secret accounts were closed;

- Agree to close accounts of accountholders who fail to come into compliance with U.S. reporting obligations; and
- Pay appropriate penalties.

Swiss banks meeting all of the above requirements are eligible for a non-prosecution agreement.

According to the terms of the non-prosecution agreement signed today, Piguet Galland agrees to cooperate in any related criminal or civil proceedings, demonstrate its implementation of controls to stop misconduct involving undeclared U.S. accounts and pay penalties in return for the department's agreement not to prosecute this bank for tax-related criminal offenses.

Piguet Galland evolved through the combination of three small, traditional Swiss private banks focused on wealth management. In November 2003, Banque Franck SA acquired the client relationships of Banque Galland & Cie SA to become Franck Galland & Cie SA. Until 2011, Piguet & Cie (Banque Piguet) was a separate entity, majority-owned by Banque Cantonale Vaudoise (BCV). Between February and April 2011, BCV acquired Franck Galland from its owner, a U.S. financial group (the U.S. financial group), and then merged it with Banque Piguet (the 2011 Acquisition) to form the current entity, Piguet Galland. BCV owns Piguet Galland.

Piguet Galland and its predecessor banks opened, serviced and profited from accounts for U.S. taxpayers with the knowledge that some of these accountholders likely were not complying with their U.S. income tax and reporting obligations. Piguet Galland and its predecessor banks offered a variety of traditional Swiss banking services that they knew or should have known would assist U.S. taxpayers in concealing assets and income from the Internal Revenue Service (IRS), including hold mail and code name or numbered account services.

One particular relationship manager (RM-1) was responsible for managing many of the U.S.-related accounts at Banque Franck and later Franck Galland. RM-1 was a member of senior management at both of those banks. Before Aug. 1, 2008, RM-1 opened several entity and trust accounts for U.S. persons, which remained open past Aug. 1, 2008. RM-1 was a relationship manager for at least 65 U.S.-related accounts at Piguet Galland after Aug. 1, 2008.

RM-1 traveled regularly to the United States, mostly to attend meetings with both existing and potential U.S. clients. Among other places, RM-1 traveled to Arizona, California, New Hampshire, New York and Wisconsin to meet both existing and potential clients. This travel sometimes occurred at the request of the U.S. financial group that owned Franck Galland and often was in connection with trips to visit the U.S. financial group's management. RM-1 met with U.S. clients at hotels, clients' clubs and other public places in the United States. Management at Franck Galland, including its former chief executive officer, was aware of RM-1's travel to the United States. In fact, at least one member of Franck Galland's Executive Committee knew that RM-1 was a U.S. person at the time he started employment.

Franck Galland permitted two other former relationship managers to travel to the United States to meet with U.S. taxpayer-clients. On one occasion, one of these relationship managers provided \$5,000 in cash from an undeclared account held by a U.S. taxpayer-client directly to that client in the United States.

Franck Galland had a sister entity that was also owned by the U.S. financial group. This sister entity was a now-dissolved Cayman Island entity (the Cayman Entity). The Cayman Entity was acquired by Piguet Galland as part of the 2011 Acquisition. The Cayman Entity was ultimately liquidated in 2013, effective in 2014. Prior to the 2011 Acquisition, the Cayman Entity:

- Assisted in the opening of undeclared U.S.-related accounts at Franck Galland, sometimes through entities the Cayman Entity helped to create;
- Helped manage structures holding undeclared U.S.-related accounts at Franck Galland;
- Suggested facilitating meetings in the United States between RM-1 and undeclared U.S. taxpayer-clients with Cayman Entity accounts at Franck Galland;

- Facilitated cash withdrawals and transfers out of undeclared U.S.-related accounts at Franck Galland; and
- Served as trustee for two trusts that held U.S.-related accounts from 1995 to June 2011.

The Cayman Entity also held a subsidiary, the only purpose of which was to hold a condominium in George Town, Cayman Islands. While the condominium was principally for use by the U.S. financial group and its management, it was also used by executives of Franck Galland and at least three of its U.S. taxpayer-clients. The condominium was sold prior to the 2011 Acquisition.

Banque Piguet, another predecessor to Piguet Galland, allowed some of its relationship managers to communicate with its clients, including U.S. taxpayers, through private email accounts and the email domain “4uonly.ch,” without disclosure of the communication’s origin.

Franck Galland and Banque Piguet opened and maintained undeclared accounts beneficially owned by U.S. taxpayers and held in the name of structures, some of which had cash or credit cards linked to them, while knowing, or having reason to know, that some of these structures were used by U.S. taxpayer-clients to help conceal their identities from the IRS. Franck Galland and Banque Piguet also:

- Accepted instructions in connection with U.S.-related accounts not to invest in U.S. securities and not to disclose the names of U.S. taxpayer-clients to U.S. tax authorities, including the IRS;
- Opened and maintained accounts for U.S. taxpayer-clients transferring from other Swiss financial institutions that were closing such accounts, while both Franck Galland and Banque Piguet knew, or had reason to know, that a portion of the accounts at the other institutions were or likely were undeclared; and
- Maintained undeclared accounts for U.S. taxpayer-clients who renounced their beneficial ownership of such accounts, or who transferred account funds to non- U.S.- related accounts, while continuing to exercise control or retain entitlement to the funds.

Throughout its participation in the Swiss Bank Program, Piguet Galland committed to providing full cooperation to the U.S. government. Among other things, Piguet Galland provided a list of the names and functions of individuals who structured, operated or supervised the cross-border business at Franck Galland, Banque Piguet and Piguet Galland.

Since Aug. 1, 2008, Piguet Galland and its predecessor banks held 337 U.S.-related accounts, with aggregate assets under management of \$441 million. Piguet Galland will pay a penalty of \$15.365 million.

While U.S. accountholders at Piguet Galland who have not yet declared their accounts to the IRS may still be eligible to participate in the [IRS Offshore Voluntary Disclosure Program](#), the price of such disclosure has increased.

Most U.S. taxpayers who enter the IRS Offshore Voluntary Disclosure Program to resolve undeclared offshore accounts will pay a penalty equal to 27.5 percent of the high value of the accounts. On Aug. 4, 2014, the IRS increased the penalty to 50 percent if, at the time the taxpayer initiated their disclosure, either a foreign financial institution at which the taxpayer had an account or a facilitator who helped the taxpayer establish or maintain an offshore arrangement had been publicly identified as being under investigation, the recipient of a John Doe summons or cooperating with a government investigation, including the execution of a deferred prosecution agreement or non-prosecution agreement. With today’s announcement of this non-prosecution agreement, noncompliant U.S. accountholders at Piguet Galland must now pay that 50 percent penalty to the IRS if they wish to enter the IRS Offshore Voluntary Disclosure Program.

“Today’s resolution with Piguet Galland & Cie SA reflects the continuing success of DOJ’s Swiss Bank Program,” said Acting Deputy Commissioner International David Horton of the IRS Large Business & International Division (LB&I). “Through these agreements, we are getting hidden account data and

information on those who have aided this tax evasion. U.S. taxpayers with undeclared accounts need to come forward, report their foreign accounts and pay their income taxes."

Acting Assistant Attorney General Ciraolo thanked the IRS, and in particular, IRS-CI and IRS LB&I for their substantial assistance. Ciraolo also thanked W. Damon Dennis, who served as counsel on this matter, as well as Senior Counsel for International Tax Matters and Coordinator of the Swiss Bank Program Thomas J. Sawyer, Senior Litigation Counsel Nanette L. Davis and Attorney Kimberle E. Dodd of the Tax Division.

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