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PAGE ONE**Feds Press Swiss Bank
To Name U.S. Clients****Tax Officials Target
An Alleged Dodge;
UBS Caught in Bind****By EVAN PEREZ**
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WASHINGTON -- The Justice Department, in an unprecedented move against a foreign bank, is seeking to force **UBS AG** to turn over the names of wealthy U.S. clients who allegedly used the giant Swiss bank to avoid taxes.

In seeking a federal court order Monday, the Justice Department ratchets up the pressure in its high-profile case, which has spawned federal criminal and civil probes into the alleged tax evasion. Any order to turn over names would be a blow to UBS, one of the world's largest banks, and one that prides itself on its private dealings. It could also prove embarrassing and costly to the bank's clients.

The matter places UBS in a bind between U.S. tax authorities and a Swiss law that prevents banks from disclosing confidential information without client approval. The Justice Department's case could be precedent-setting: A successful U.S. bid for information about these customers would blow a hole in the vaunted secrecy of Swiss banks. Several countries in addition to the U.S. are pursuing alleged tax cheats in Swiss and other jurisdictions.

U.S. authorities have been holding discussions for several weeks with UBS and Swiss banking authorities to identify the U.S. account holders. People familiar with the talks say UBS officials floated the possibility that the U.S. could obtain the names through a request to Swiss regulators. Monday's federal court filing instead puts the bank in direct conflict with the U.S. government.


"We are prepared to seek enforcement if that process is not successful," said John A. DiCicco, deputy assistant attorney general for the Justice Department's Tax Division, referring the ongoing talks.

UBS said it "takes this matter very seriously and is working diligently with both Swiss and U.S. government authorities, consistent with Swiss law and the legal frameworks for intergovernmental cooperation and assistance." The Swiss government has also said it is working with the U.S. government to resolve the issue.

The filing is the first against a non-U.S. bank by the Justice Department using what it calls a "John Doe summons," a maneuver typically used to investigate tax fraud by people whose identities are unknown. The move could spark a major legal battle because the Justice Department is essentially gambling that courts will bless the move when it's directed at a company with extensive U.S. operations but that isn't based in the U.S. It has used such tactics in the U.S. previously against international credit-card firms.

The U.S. is seeking information on taxpayers who held so-called "undeclared" accounts with UBS

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between 2002 and 2007, according to papers filed with the U.S. District Court in Miami. The undeclared accounts are used to hold assets in tax havens and aren't recorded with the Internal Revenue Service, U.S. prosecutors say.

The Justice and Internal Revenue Service investigation is aided by information from a former UBS banker, Bradley Birkenfeld, who pleaded guilty June 19 to helping his U.S. clients evade taxes. Mr. Birkenfeld told U.S. prosecutors that UBS holds an estimated \$20 billion in assets for U.S. clients in undeclared accounts. These accounts generated \$200 million a year in revenues for the bank, prosecutors said.

Jack Blum, an attorney at Washington law firm Baker Hostetler, said UBS will likely have to comply because investigators have "great facts" from Mr. Birkenfeld. "What [is the bank] going to do, go back to Switzerland?" he said.

Government filings in Mr. Birkenfeld's case portray the lavish attention UBS bankers gave their clients. Prosecutors mixed banking services with sumptuous events sponsored at gatherings of the rich, such as the Art Basel art fair in Miami Beach, Fla., and at a tennis tournament in Key Biscayne.

UBS trained private bankers in techniques to avoid detection by U.S. law enforcement, including instructing them to indicate on customs forms that they were coming to the U.S. on vacation instead of business, according to court documents.

Prosecutors say Mr. Birkenfeld also explained how bankers advised clients to hide their wealth by purchasing artwork and jewels with funds from Swiss accounts. For one client, Mr. Birkenfeld told prosecutors he smuggled diamonds into the U.S. inside a toothpaste tube.

U.S. prosecutors say UBS violated a 2001 agreement that required the bank to identify the citizenship of account holders or otherwise withhold taxes on their behalf. At that time, UBS agreed to provide U.S. tax officials with information on any customers earning taxable U.S. income, a move seen at the time as a big step toward ending the secrecy that has helped make Switzerland a center for private banking.

Under that pact, UBS agreed that its customers would fill out an IRS form detailing their ownership of foreign bank accounts. Instead, the bank helped some wealthy U.S. residents hide their assets, prosecutors say.

In a 2002 memorandum to clients following UBS's acquisition of PaineWebber, UBS bankers tried to assuage clients' worries that their secrets might be breached as a result of the bank's new connection to a U.S. firm. The memo, filed in court by prosecutors, reads in part: "information relative to your Swiss banking relationship is as safe as ever..."

The memo went on to point out that UBS has been doing business in the U.S. since 1939, without having U.S. authorities gaining "jurisdiction over assets booked abroad....Please note that our bank has a successful track record of challenging such attempts."

UBS's reputation has been badly hurt by the case involving Mr. Birkenfeld. The bank's troubles are expected to continue, as it is anticipated to record a \$4 billion write-down for the second quarter, bringing its losses on subprime mortgages and other investments to \$43 billion.

--Glenn R. Simpson and Carrick Mollenkamp contributed to this article.

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