Seeking bank secrecy in Asia

For centuries, Switzerland has been the sanctuary of choice for wealthy people seeking to hide their fortunes and evade taxes. Now, amid a growing crackdown on Swiss private banking, the rich are flocking to Singapore and Hong Kong, which still offer some of the world's most secret accounts.

But there is a twist in this shift to the East: Many of the banks growing in these low-tax oases have Swiss pedigrees. And their clients are not only Asia's growing number of millionaires but also wealthy Americans and Europeans who, lawyers say, have been spooked by mounting scrutiny from the tax authorities in their own countries.

From UBS, which operates a training center in Singapore, to smaller private banks like Julius Baer, Swiss banks and those with Swiss-based operations are tripping over themselves to expand in the region.

"We have seen a massive uptick in hiring hundreds of private bankers" in Singapore and Hong Kong "to take the business leaving Switzerland," said Raymond W. Baker, the director of Global Financial Integrity, a research institute in Washington.

Reuven S. Avi-Yonah, director of the international tax program at the University of Michigan Law School, called the two Asian locales "the new alternative" to Swiss bank secrecy after the shackles placed on UBS by the United States last year.

UBS, the largest bank in Switzerland, has lost an estimated 200 billion Swiss francs, or about $200 billion, in assets from private banking clients over the last two years. But in Asia, it has won more new money than it has lost, according to an August presentation to investors by the bank's chief executive of wealth management, Jürg Zeltner.

The bank would not give actual figures. But it did say it was planning to hire an additional 400 "client advisers," or private bankers, for its Asia-Pacific region, on top of the current 867.

In February, UBS raised bonuses for Singapore bankers who bring in new clients. The Singapore government is one of the bank's biggest shareholders, with about 9 percent, since diluted, bought in late 2007.

Credit Suisse's top private banking executive, Walter Berchtold, said this month that net new assets coming into the bank from rich clients in Asia would grow more than 20 percent a year, more than triple the global average the bank has forecast.

At Julius Baer, whose headquarters are in Zurich, its board met in early September in Singapore, the first such convening there.

"We call it our second home market," said Jan Vonder Muehll, a spokesman for Baer, adding that the bank planned to double its assets there and in Hong Kong, to 25 percent of its total, within five years. "Swissness is highly regarded in Asia," he said.

Ronen Palan, a professor of political economy and an offshore finance specialist at the University of Birmingham in England, said that "all the evidence suggests that Singapore is making a concerted effort to replace Switzerland as the global center for private banking."

The shift has taken place amid an attack on Switzerland's private-banking industry, long a crown jewel and world leader.

In 2007, the Justice Department began a criminal investigation into UBS and, later, other Swiss banks for selling private banking services to wealthy Americans that allowed them to evade taxes.

Last year, UBS paid $780 million to settle the case. It later agreed to lift the veil of Swiss bank secrecy and disclose the names of 4,450 American clients to the Internal Revenue Service.

About the same time, European tax officials began gaining possession of discs stolen from Swiss banks that held data on thousands of clients, and a strengthened European Union directive required banks to withhold a minimum level of tax even on secret accounts.

Richard Murphy, a founder of the Tax Justice Network, a British research firm focused on offshore havens, said that amid the changes, "Singapore is where the Swiss can now find the banking secrecy they've lost at home."

Hong Kong, he said, is a close second.

Critics, including Mr. Murphy, point to Singapore's Swiss-style secrecy provisions; lack of taxes on capital gains and most foreign dividends; and system that allows depositors to open accounts in the guise of corporations, trusts and limited liability companies.

While Hong Kong does not have formal bank secrecy laws, it allows the formation of opaque companies that often serve as conduits for tax evasion. It also does not tax capital gains or deposit interest, and for corporations, it taxes only income produced in Hong Kong. "Both are serious players," Mr. Murphy said. "Both offer serious opacity."

But the "offshore haven" label bothers both countries.

"Banking confidentiality provisions in Singapore's laws protect the privacy of legitimate investors while allowing for banking information to be provided to foreign authorities where crimes or investigations are involved," said Jacqueline Ong, a spokeswoman for the Monetary Authority of Singapore, the country's central bank and financial industry regulator.

Terry Wong, a spokeswoman for the Hong Kong Financial Services and Treasury Bureau, said that Hong Kong "should not be compared" with jurisdictions that set out to make life easy for tax evaders.

"Hong Kong maintains a simple and highly transparent tax regime," she said. "Our relatively low tax rate is a result of our prudent fiscal policy."

But the United States tax authorities are increasingly wary.

Several UBS clients snared in the criminal investigation of the bank used Hong Kong offshore companies or had dealings with unidentified banks based in Singapore, according to court papers.

Last July, the Justice Department began investigating whether certain United States clients of HSBC, which has its headquarters in London but has large Swiss operations, had failed to disclose accounts in Singapore and India. In the spring, the I.R.S. said it was hiring 800 employees to root out tax evasion, with a focus on Hong Kong and Singapore.

Switzerland is still the global capital of undeclared offshore wealth, with about $2 trillion.

But since 2008, $520 billion has left European offshore centers, mainly Switzerland, because of the pressure in the United States on UBS and other Swiss banks, according to Wealth Bulletin, a trade publication.

"It is my impression that lots of the money that left Switzerland went to Singapore," said H. David Rosenbloom, a tax lawyer at Caplin Drysdale in Washington.

Singapore's private banking assets grew sixfold, to $300 billion, from 2000 to 2008, according to the Calamander Group, an investment boutique. Singapore now has about $500 billion in private banking assets, while Hong Kong has $200 billion, according to the Boston Consulting Group.

In Singapore, UBS is one of the leading private banks, with $146.5 billion in assets in the area as of last December, according to company filings.

Last year, UBS shut down what it and prosecutors called its "United States cross-border business," which was offshore, undeclared private banking services for Americans.

The agreement, according to Allison Chin-Leong, a UBS spokeswoman, covers UBS's cross-border services for Americans anywhere in the world. A senior United States government official said that UBS had "cleaned house" and stopped offering the services to Americans through non-United States locales.

But cross-border banking at UBS is still available in Singapore and Hong Kong. In its 2009 annual report, UBS said that "in Asia, we are directing our cross-border business on leading financial centers within the region, specifically Hong Kong and Singapore."

The cross-border market in Singapore and Hong Kong will swell to about $800 billion in assets by 2012, UBS estimated this year. Two UBS spokeswomen did not respond to further questions over several days on whether the bank sold undeclared banking services to Europeans and other non-Americans through Asia.

Fonte: The New York Time, Sept. 22th 2010. Disponível em:<www.nytimes.com>. Acesso em: 23 set. 2010.