

A pillar that seemed permanent

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For seventy-five years after the Banking Act of 1934, banking secrecy was regarded in Switzerland as a pillar of the financial centre and of the national identity. Politicians of all parties defended it. The banks presented it as the protection of the private sphere of their clients against the curiosity of states. Foreign governments criticised it as a shelter for tax evaders and criminals, but they could do little against it. Popular culture associated Switzerland with numbered accounts, discreet bankers and suitcases of cash. The business of managing the undeclared wealth of foreign clients, protected by banking secrecy and by the Swiss distinction between tax evasion and tax fraud, became one of the most profitable activities of the Swiss financial centre.¹

Between 2008 and 2018, this pillar collapsed for foreign clients. Under pressure from the United States, the European Union, the G20 and the OECD, Switzerland abandoned the distinction between tax evasion and tax fraud in its international relations, agreed to exchange information on request with foreign tax authorities, concluded agreements on the taxation of undeclared assets, participated in the American programme for the resolution of the past of its banks and finally introduced the automatic exchange of financial account information. Within a decade, the Swiss financial centre moved from the protection of foreign tax evasion to full transparency towards foreign tax authorities.

This chapter traces this transformation. It describes the system that existed before 2008, the UBS case that triggered the collapse, the international pressure that followed, the bilateral and multilateral agreements that replaced banking secrecy, the resolution of the past and the consequences for the business of the Swiss private banks. Basel played a particular role in this history: the Swiss Bank Corporation, through its successor UBS, stood at the centre of the American case, while the Swiss Bankers Association in Basel negotiated the response of the banks.

1 Notes

1. On the place of banking secrecy in Swiss politics and identity in the twentieth century and its role in cross-border private banking, see the literature on the history of Swiss banking secrecy (e.g. Guex, 2000; Vogler, *Das Schweizer Bankgeheimnis*, 2005). To be verified. ↩

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