

The end of bank client secrecy vis-à-vis foreign tax authorities (2008-2018) — overview and summary

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Within a single decade, between 2008 and 2018, Swiss banking secrecy lost most of its effect towards foreign tax authorities. The UBS affair in the United States, the adoption of the OECD standard on the exchange of information, the American programme for the regularisation of Swiss banks, the FATCA agreement and the introduction of the automatic exchange of information profoundly transformed wealth management in Switzerland and in Geneva. Institutions had to regularise their client base, pay penalties that were at times considerable, and adapt their business model. This chapter traces that transformation, relying on verified sources for its principal stages, and sets out in detail its consequences for the Geneva financial centre.

1 In five sentences

1. Before 2008, banking secrecy still protected foreign taxpayers who merely failed to declare their assets, notwithstanding the criminal-law exceptions and the special tax agreement with the United States.
2. The UBS affair led in 2009 to the handover of client data, a fine of USD 780 million and an agreement covering 4,450 accounts, while Switzerland adopted the OECD standard.
3. The programme concluded on 29 August 2013 allowed Swiss banks to settle their dispute with the United States, which led several Geneva houses to pay penalties, including USD 99.8 million for Lombard Odier and USD 122.9 million for Pictet.
4. FATCA, adopted in 2010 and applied in Switzerland from 2014, followed by the automatic exchange of information, in operation since 2018, brought banking secrecy towards foreign tax authorities to an end.

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5. The Geneva financial centre regularised its client base, transformed its business model, shifted its clientele towards new regions and bore increased compliance costs.

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