

Dormant accounts, the Volcker Committee and the 1998 settlement — overview and summary

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Few episodes have shaped the modern reputation of the Swiss financial centre as deeply as the controversy over dormant accounts that broke out in the middle of the 1990s. Within four years, a question that Swiss banks and the Swiss authorities had treated as closed since the early 1960s became the subject of hearings in the United States Senate, of class actions in a federal court in Brooklyn, of threatened sanctions by American states and cities, of an audit of unprecedented scale conducted by international accounting firms, and of a settlement in which the two largest Swiss banks agreed to pay USD 1.25 billion. Zurich stood at the centre of these events. The two banks that paid, the Union Bank of Switzerland and Credit Suisse, had their head offices on or near the Paradeplatz and the Bahnhofstrasse. The night watchman whose discovery of documents in a shredding room turned a diplomatic dispute into a moral one worked in a building of the Union Bank of Switzerland in Zurich. The Claims Resolution Tribunal that later examined tens of thousands of claims to accounts opened before 1945 had its seat in the city as well.

The subject belongs in a book about Zurich as a financial centre for reasons that go beyond geography. Dormant assets touch the core of what a private bank sells: the promise that deposited wealth will be kept safe, kept confidential and returned to the person entitled to it. The controversy of the 1990s revealed how that promise had been kept towards clients who had been murdered, dispossessed or scattered by National Socialist persecution, and whose heirs often had neither the documents nor the information that the banks demanded before they would disclose anything. It also revealed that banking secrecy, which the preceding chapters describe as law, business model and national symbol, could be turned against the very clients it was meant to protect. The episode left a durable mark on Swiss law, on the record-keeping practice of banks and on the way in which the country discusses its history. Today's rules on dormant assets, including

the publication of long-dormant accounts on a public website and the transfer of unclaimed assets to the Confederation, are a direct consequence of it.

This chapter follows the story in chronological order before turning to its legal and institutional legacy. It begins with the post-war decades and with the federal decree of 1962 that required reporting of assets belonging to victims of persecution, whose results remained modest. It then describes the renewed pressure that built up from 1995 under the leadership of the World Jewish Congress and of Senator Alfonse D'Amato, the reactions of the Swiss authorities and the banks, and the affair surrounding the security guard Christoph Meili. The work of the Independent Committee of Eminent Persons chaired by Paul Volcker, the class actions in the Eastern District of New York, the global settlement of 12 August 1998 and the claims process that followed form the central part. A short section on insurance claims leads to the present Swiss law on dormant assets. A final section asks what the financial centre learned from the episode and why the subject has returned to American courts and to the United States Senate in the past three years. The wartime history of gold, looted assets and refugee policy has been treated in chapter F.III and is recalled here only where it is needed.

1 Conclusion

The dormant accounts controversy was a crisis that the Swiss banks had long believed to be closed. After the Federal Decree of 1962 had produced modest results, the banks treated heirless assets under the ordinary rules of contract law while the question disappeared from public debate for three decades. When it returned in 1995, it did so in a changed world. The Cold War had ended, survivors in Eastern Europe could press claims and the World Jewish Congress was able to mobilise the American political system, from the Senate Banking Committee to the comptrollers of New York. The Swiss reaction was at first defensive and clumsy, as the remark of Jean-Pascal Delamuraz and the shredding at the Union Bank of Switzerland showed. It then became constructive, with the federal decree of December 1996, the Special Fund for Needy Victims of the Holocaust and the cooperation of the banks with the Volcker Committee.

The Volcker Committee's audit of 254 banks and its identification of 53,886 accounts with a probable or possible relationship to victims of persecution established a factual basis that neither side could seriously contest. The global settlement of 12 August 1998, under which UBS and Credit Suisse paid USD 1.25 billion, resolved the legal claims in exchange

for a release of all Swiss parties. The Claims Resolution Tribunal in Zurich then distributed the funds according to rules that took account of the destruction of records and the difficulties of proof. The settlement was the price of access to the American market. It set a pattern that the tax disputes of the following decade would repeat.

The legacy of the episode is visible in Swiss law, in the practice of the banks and in the national debate. Article 371 of the Banking Act, the guidelines of the Swiss Bankers Association and the central search function of the Swiss Banking Ombudsman form a regime under which dormant assets are traced, published and, if unclaimed, transferred to the Confederation. Banks have become institutions of records and documentation. The investigation into Credit Suisse accounts in recent years, and the proceedings before Judge Korman in 2026, show that the history of the 1930s and 1940s is still capable of returning to the agenda of the Zurich financial centre.

2 In five sentences

1. After the Second World War, Swiss banks treated the dormant accounts of victims of National Socialist persecution under ordinary contract law, while the reporting decree of 1962 brought to light only a few million francs.
2. From 1995 the World Jewish Congress, Senator Alfonse D'Amato and American state and municipal finance officers built up pressure that Swiss diplomacy, damaged by the Delamuraz remark and the Meili affair, could not withstand.
3. The Independent Committee of Eminent Persons under Paul Volcker audited 254 banks at a cost of about CHF 300 million and identified 53,886 accounts with a probable or possible relationship to victims, while finding no evidence of systematic destruction of records.
4. In the global settlement of 12 August 1998, UBS and Credit Suisse paid USD 1.25 billion, which a Claims Resolution Tribunal in Zurich and other programmes distributed to about 458,400 claimants by 2020.

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5. Today Article 371 of the Banking Act, the Narilo guidelines and the search office of the Swiss Banking Ombudsman govern dormant assets, while the renewed investigation of Credit Suisse accounts shows that the past has not been entirely settled.

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