

US Justice Dept says no plans to drop UBS case

Reuters, Tuesday June 23 2009

- * Says no basis for newspaper report
- * Always willing to consider settlement
- * July 13 hearing scheduled in Miami federal court (Recasts with U.S. comments)

WASHINGTON/ZURICH, June 23 (Reuters) - The U.S. Justice Department said it was not planning to drop its lawsuit seeking to force UBS AG to disclose thousands of the Swiss bank's U.S. customers with secret accounts.

"There is no basis for the report in The New York Times," a Justice Department spokesman said in a statement Tuesday after the newspaper reported the case might be dropped, citing an unnamed U.S. official briefed on the matter.

The U.S. government sued UBS in February in U.S. District Court in Florida, seeking the names of 52,000 Americans suspected of using the bank to hide nearly \$15 billion in assets and evade U.S. taxes.

"While the department is always willing to consider settlement in any case, the suggestion that the department is planning to drop this suit is simply untrue. The department is continuing with the case against UBS and will file its brief asking the court to enforce the summons on June 30," spokesman Charles Miller said.

A U.S. filing on the matter is due June 30 and a hearing before a judge in Miami is set for July 13.

UBS and the Swiss government have argued that any exchange of confidential banking information should be handled through existing legal treaties rather than the courts.

"We hope it's true but we also have to look at what conditions are attached," a Swiss finance ministry spokesman said of the newspaper report.

UBS, the world's largest wealth manager, which has seen big client outflows over the U.S. case, declined to comment.

UBS shares were up 2.1 percent at 14.08 Swiss francs.

Separately, ministers from OECD countries agreed on Tuesday on the possibility of imposing sanctions on countries that do not stick to the OECD's tax standards, but left open when such measures should be implemented.

The ministers were meeting to pressure nations like Switzerland to step up efforts to combat bank secrecy and to assess progress made by countries on an Organisation for Economic Cooperation and Development "gray list" of states needing to improve their

tax cooperation standards.

VOLUNTARY DISCLOSURE

Several attorneys have said the United States has a strong case against UBS, but even if the government won a summons for the names, it would be hard to enforce that many cases.

"My sense would be that if this case is going to get resolved, it's going to be at a fairly high government-to-government level as part of a broader package," where the Swiss give something significant in exchange, said Scott Michel, an attorney at Caplin & Drysdale. Michel represents wealthy clients coming forward as part of the U.S. Internal Revenue Service's voluntary disclosure program.

"If the case moves forward, I think the DOJ has a good litigating position based on prior case law," Michel said.

Attorneys for high-net worth individuals have reported an increase in clients coming forward to the IRS since the agency clarified guidelines to encourage taxpayers to come clean with the government, pay a fine and avoid criminal prosecution.

Switzerland and the United States announced last week they had reached agreement on a double taxation treaty, although few details have emerged.

Deutsche Bank analyst Matt Spick said the tax agreement increased the chances of a deal in the UBS case, but said the United States was unlikely to settle early to keep pressure on UBS clients to declare themselves voluntarily. (Reporting by Kim Dixon and James Vicini in Washington and Jason Rhodes and Emma Thomasson in Zurich; Editing by Erica Billingham and Tim Dobbyn)