

• Informant in tiny nation toppled decades of banking secrecy

By Luke Rosiak on [08/31/09 @ 12:34 pm](#) | [0 Comments](#)

Swiss mega-bank UBS has dominated recent headlines with its reluctant release of a subset of the list of Americans using the accounts, long shrouded in secrecy, to avoid paying taxes to the US.

But it was an obscure microstate that set off the banking-secrecy firestorm last year when other nations obtained evidence that hundreds of its citizens were sidestepping billions of dollars in taxes by hiding money in secret accounts there.

The probe into anonymous bank accounts began in the tiny German-speaking nation of Liechtenstein, when an employee of the LGT Group bank, which is owned by the country's royal family, sold a compact disc containing information on foreign account holders to authorities in Germany, and then Britain and the US.

Heinrich Kieber, the IT staffer tasked with digitizing paper records who got rich by turning over the documents implicating wealthy tax-avoiders, is now [wanted](#) by Interpol, but German authorities have reportedly given a new identity to the balding 44-year old who now has the means to live comfortably, yet is despised by untold numbers of powerful men across the globe.

Outrage at the massive scale of the tax avoidance he saw during the course of his employment led him to leak the data, Kieber claimed in a video testimony shown in a July 2008 hearing of a Senate investigations subcommittee. The subcommittee, chaired by Carl Levin (D-Mich.), released a report targeting LGT and the Swiss bank UBS, and estimated that \$100 billion in tax revenue was lost to tax havens each year.

By that time, the Liechtenstein government had mounted a [blitzkrieg lobbying effort](#), making contact with members of the US government and media 128 times in June and July, ranking it ahead of Germany for the year. In all, it spent \$177,000 on lobbying. They [registered](#) for the first time under FARA in June 2006.

Within weeks, lobbyists contacted nearly one-fourth of the United States senators' offices, strategically targeting 18 out of 21 senators who sat on the Committee on Finance, and met in person with professional staff from the Senate committees on Finance and Homeland Security, the Joint Committee on Taxation, and officials from the IRS and the departments of State, Treasury and Justice.

Caplin & Drysdale, a law firm specializing in tax law which is providing legal counsel to some 200 Americans worried about their offshore accounts, mostly in Switzerland, represented the Liechtenstein government in negotiating an agreement with the Treasury Department.

Lobbyists from Covington & Burling tackled relations on the Hill, where a crew including former Congressman Michael Barnes were met with a cool reception from lawmakers universally wary of tax havens.

Separately, LGT Bank retained lobbyists from Levick Strategic Communications for \$70,000 in 2008.

Kieber shopped the data to several countries, including the U.S. and Britain, but when Britain's payments were slow to arrive, he met clandestinely with German agents who by 2006 agreed to purchase—for the equivalent of more than six million dollars—discs containing info on some 1,400 German-linked accounts.

German politicians berated the tax haven for its secrecy while launching investigations that were sure to target some of its own elites. Meanwhile, Liechtenstein took umbrage at the use of stolen data, and its ruling family recalled artwork it owned from a German museum display.

It was not the informant's first taste of international intrigue.

Kieber had for years been wanted in Spain for a 1996 real-estate scam, but he fled to Argentina, where he later claimed to German investigators that he had been kidnapped and tortured.

After returning to Liechtenstein, attaining employment at the bank and stealing the records, he tried to blackmail the ruling family via letter by threatening to release the data unless he was granted a new identity, which could help him elude punishment in Spain. The royal family refused, but he nevertheless turned himself in, and received probation from Spanish authorities. In 2004 Liechtenstein closed its data-theft case on Kieber, convinced he was no longer a threat, the German [Der Spiegel reported](#).

Last December, Liechtenstein signed a [Tax Information Exchange Agreement with the US](#), under which the US can obtain information on bank accounts held there for tax investigations from 2009 onward.

Liechtenstein was basically prepared to enter into an agreement along the lines sought by the United States, said Caplin & Drysdale lawyer H. David Rosenbloom, who decades ago worked for the Treasury, specializing in international tax law.

The country seemed more ready to forego its secrecy than the much larger Switzerland. But the Organization for Economic Co-operation and Development (OECD), an international body that sets standards for information sharing and monitors tax havens, classifies Liechtenstein among nations that "have committed to the internationally agreed tax standard, but have not yet substantially implemented" it.

[Weeks ago](#), Britain agreed to grant significant leniency to citizens who admit to holding Liechtenstein accounts and who pay back taxes.

In the last couple weeks, UBS began turning over data on some 4,500 citizens holding perhaps \$18 billion in Swiss bank accounts. That's less than a tenth of the names the US reportedly sought, but it marks a retreat from the bank's original stance that it would be violating its country's laws by disclosing the information.

The IRS allows for voluntary disclosure, in which Americans who admit to failing to report assets abroad can amend tax returns and pay penalties, likely avoiding prosecution.

As for those who don't, whether they are actually prosecuted depends on lots of factors, including the amounts at issue, how and why income was omitted, whether steps were taken to obscure the receipt of the income, Rosenbloom said.

OECD convenes Tuesday in Mexico to discuss steps for dealing with tax havens moving forward.

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