

Opening Statement
by
SENATOR JOHN McCAIN
Ranking Minority Member
Permanent Subcommittee on Investigations

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Thank you, Mr. Chairman.

This Subcommittee's bipartisan investigation into tax haven banks focuses today on Credit Suisse, Switzerland's second largest bank. The investigation has revealed another unfortunate example of a foreign bank succumbing to the charms of compensation over compliance and uncovered how, for years, Credit Suisse greatly profited by helping U.S. clients hide billions of dollars of taxable assets from the U.S. Treasury. By willfully undermining U.S. tax and securities laws and taking advantage of Switzerland's opaque banking practices, the bank became a safe haven for tax evasion. Today's hearing will examine instances of past misconduct; highlight how the bank delayed meaningful compliance for as long as possible; and consider how the Department of Justice's ineffective response allowed this conduct to persist.

How Credit Suisse bankers helped their U.S. clients hide their assets—and keep them hidden—from the view of U.S. tax authorities was egregious. As Chairman Levin mentioned, the bank orchestrated a wide range of surreptitious meetings with U.S. clients, on both sides of the Atlantic. Remotely-controlled elevators leading to hidden rooms in the bank's Zurich headquarters, magazines in American hotel lobbies, and even family events were all used by bankers to unsuspectingly conduct illicit business with their U.S. clients. Credit Suisse bankers reportedly stated on customs forms that they were traveling to the United States for "tourism" purposes. But, instead of sightseeing, they would secretly meet with clients—a violation of U.S. securities laws. In one instance, a Credit Suisse banker traveled to the U.S. purportedly to attend the wedding of a client's child. However, in addition to enjoying the wedding festivities, the banker also took advantage of this social occasion to secretly brief his client on the status of that client's undeclared Credit Suisse account. These alarming instances of illicit banking practices belong in a spy novel—not at one of the world's top banks.

The Swiss banking secrecy provisions that enabled such practices went largely unchallenged until 2008, when this Subcommittee conducted a seminal investigation and held public hearings into offshore tax evasion practices focusing on UBS, Switzerland's largest bank. Indeed, Credit Suisse prospered for years by not requiring its U.S. clients to be tax compliant. While it made some changes to its internal policies following the UBS hearing, it was slow to ensure sufficient compliance by its U.S. accountholders. Even today, the bank still must answer for decades of ill-gotten profits.

Coincidentally – or not – just five days ago, with this hearing on the horizon, Credit Suisse agreed to a regulatory settlement with the SEC, whereby it would admit wrongdoing and agree to pay \$196 million dollars for providing banking services in the United States without registering with the regulator. This fine, however, pales in comparison to the severity of the full

extent of Credit Suisse's misconduct. In the wake of sequestration and a staggering \$17 trillion dollar national debt the Justice Department and other federal regulators cannot sit idly by and effectively give these foreign banks a free pass for their role in enabling U.S. tax evasion, concealing billions of dollars in tax revenue, and deceiving the U.S. government and the American people. Hardworking, law-abiding individuals—like those in my home state of Arizona—cannot afford to continue to carry the tax burden these banks have placed on their shoulders.

At a time of fiscal hardship, the Justice Department appears to have willingly given-up on using the tools it has to collect taxes owed to the U.S. government. In 2008 alone, the Justice Department obtained information on U.S. tax evaders from a Swiss bank, leading to 72 prosecutions. But, from 2009 to 2013, the Justice Department seems to have abandoned its efforts, issuing no summonses and enforcing no subpoenas against Swiss banks.

In fact, even though in 2011 the Justice Department indicted a handful of individual Credit Suisse bankers for engaging in illicit banking practices, to date, it has failed to prosecute those indictments. Instead, the Justice Department has opted to play the role of diplomat—helping to negotiate with the Swiss government the creation of a program that allows Swiss banks to voluntarily disclose their tax evasion practices without risk of prosecution in the U.S. As a result of this program, some banks may not even have to admit any wrongdoing for their misconduct. Instead, these financial institutions will simply pay fines on the illicit accounts they hold—a mere slap on the wrist for their role in concealing billions of dollars from the U.S. Treasury and a payment that may be deemed by banks wishing to engage in similar wrongdoing as an acceptable “cost of doing business.”

As a result of offshore tax haven practices by Credit Suisse and other financial institutions, as recently as 2011, it has been estimated that the United States has been deprived of \$337.3 billion dollars in potential revenue—the largest amount of revenue lost due to tax evasion in the world. With this in mind, the Justice Department must be relentless in continuing its investigations into foreign banks, such as Credit Suisse, and seek penalties that reflect the severity of the their wrongdoing; disgorge them of their wrongful gains; make aggrieved taxpayers whole; and effectively deter similar misconduct in the future. It is past time to fully and clearly expose how offshore tax haven banks help American accountholders evade paying their taxes.

I want to thank the witnesses for appearing before the Subcommittee today and I look forward to their testimony.