

# **The Swiss banking industry: The changing banking secrecy laws and the future of Swiss banking**

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# The Swiss Banking Industry: The Changing Banking Secrecy Laws and the Future of Swiss Banking

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## ABSTRACT

Recent global events have triggered the start of Switzerland's government cooperating with international authorities that are working to stop tax evasion. The cooperation by the Swiss government is threatening the future of Swiss secret banking laws, which have been around since 1934. The importance of this topic is to understand the effect that these changes will have on Swiss banks, as the new laws and regulations begin to stop foreign tax evasion in Switzerland. The successes of Swiss banks have been in large part due Switzerland's tax laws attracting foreign wealth combined with strict secrecy laws protecting clients. Swiss banking is a very important part of the Swiss economy. Through analyzing research in scientific papers and business journals, it can be argued that changing the secrecy laws will have a negative financial impact on Swiss banks, and cause a restructuring in their operations.

## INTRODUCTION

Switzerland has grown into a strong, competitive global economy despite being a small, landlocked country, with little to no natural resources. There are many reasons why Switzerland has become a successful economic nation, but much of Switzerland's success comes from its financial industry. Arguments state that Switzerland's financial success is from a long period of relaxed regulations and economic liberalism. The objectives of a liberalized state are to make the country attractive for business and foreign direct investments. The Swiss banking industry has flourished in Switzerland due to a system of carefully prepared tax laws, a strong financial sector, and a growing population (Nollert and Schief, 2011). However, Switzerland's efforts to create an attractive banking environment have led to negative consequences for the country involving international pressure calling on Switzerland to reform its financial sector.

From a political standpoint, the Swiss government has historically protected its financial sector. However, increasing international pressure has caused the Swiss government to cooperate more with international authorities. The Swiss government continues to stress the value of its neutral policies, which have been intact since the sixteenth century. Staying out of international conflict and organizations has been a major factor in the success of the Swiss financial sector. Switzerland's attractiveness for foreign investment and wealth is largely due to banks having the ability to operate under the protection of a sovereign state while practicing strict secret banking laws (Turku, 2013). Swiss banks have a major economic importance for the country, and changing the regulations and laws threaten the foundations of how Swiss banks successfully operate.

The purpose of this paper is to analyze the growth and success of the Swiss banking industry, while considering the future of the industry if regulatory reforms are made. This paper is to determine what will be the effects on the Swiss banking industry by changing the Swiss secret banking laws to eliminate tax evasion.

## **PART I: HISTORY**

Prior to the First World War, tension was growing amongst the countries of Europe. During this time, European countries began to increase taxation on the wealthy. Switzerland, being a neutral state and staying out of the European conflict, saw an opportunity to attract foreign wealth by creating favorable tax laws. Swiss banks began a campaign advertising their lenient tax laws and foreign wealth soon began to pour into Swiss banks. The rich populations in Europe were not only attracted by the Swiss tax benefits but also Switzerland's stable economy and neutrality during this time of European tension. As more wealth entered Switzerland, countries such as France, Germany, and Austria demanded Switzerland release the information of their wealthy citizens evading taxes. This caused Swiss banks to be less aggressive in their attempts to attract wealthy European clients. Switzerland refused the requests of European countries for client information stating it violated both the secrecy of their clients and their sovereignty as a country, thus starting Switzerland's policy of secret banking (Turku, 2013).

It was not until 1934 that the Swiss banking industry established the Secret Banking Act under Article 47 in banking law (Turku, 2013). The Banking Secrecy Policy guarantees that clients will have all their personal information protected as bankers who break the secrecy law risk criminal prosecution (Ladd, 2012). The policy was made official to attract the Jewish community of Europe looking to protect their wealth during Nazi prosecution (Lansing and Vohra, 2012). Non-Jewish Germans also hid wealth from the Nazi party in Switzerland risking the death penalty if caught. This only caused Swiss banks to increase the security of their client's information (Ladd, 2012). Despite receiving pressure from the Nazis to release the names and information of their Jewish and German clients, Swiss banks refused to release any information, as it would violate the secret banking law. Swiss banks made a lot of money through Jewish wealth and from the victims of the Holocaust (Lansing and Vohra, 2012). Swiss banks also accepted illicit funds and protected Nazi bank accounts during the war. After the Second World War, many family members of the deceased approached Swiss banks to claim their wealth, but Swiss banks refused to release information or funds without a death certificate, which was obviously impossible because of the Holocaust (Lansing and Vohra, 2012).

Since the start of the secret banking act, Swiss banks have been growing financially from secret banking. Switzerland has received criticism of their actions and the ethical issues surrounding total secrecy and neutrality. Switzerland's banks responded to the criticism of their actions after the war by arguing their intentions were admirable with the intent of protecting those from a tyrannical dictatorship. Switzerland also commented on the risk it took defying Nazi demands, which at the time Nazi Germany controlled Europe. Also in an effort to honor the victims of the Holocaust, banks began compiling information of dormant accounts of those who most likely perished during the war and opening the funds to family members (Turku, 2013).

After the Second World War, Switzerland had successfully established itself as a tax haven attracting wealth from all over the world. The actions taken by Switzerland in creating a tax haven was a strategic way to compete against the major European financial centers, such as London, Paris, and Berlin (Turku, 2013). Relaxed tax laws and banking secrecy have continued to spark international tension, and countries continue to pressure Switzerland in helping them battle tax evasion. The next section of this paper analyzes current regulations in the banking industry, and the effects regulations have on the banking industry.

## **PART II: BANK REGULATIONS**

Switzerland's banking industry has grown significantly, with UBS and Credit Suisse leading the way in terms of size and capital. In 2012, the finance sector accounted for 10.5% of Switzerland's GDP and the assets held by Swiss banks were worth five times the GDP of Switzerland (OECD Economic Survey, 2013). It is estimated that one third of the world's wealth offshore is stored in Switzerland (Turku, 2013). Due to this, banking is an important part of

the development and growth of the Swiss economy, which means it is important to understand how banks are regulated and the effects regulations can have on banks.

### **How Banks are Regulated**

Following the 2008 financial crisis that affected the world's economy, regulating banks has become even more important. Since banks are such an important part of economic growth, it is important to understand how and why banks are regulated. The goal of bank regulations is to prevent externalities to the real economy of a country associated with the market failures of the banking sectors. The two main risks associated with the failure of banks are systemic risks and safety risks. Systemic risks include financial contagion, and credit crunches, while safety risks include deposit insurance, market inefficiencies, and "too big to fail" (Greenbaum and Thakor 2007, 446).

The main objectives of regulating banks are to "control market structure and competition, safety and soundness, consumer protection, credit allocation, and monetary control" (Greenbaum and Thakor 2007, 443). The main goal of regulating the market structure and competition is to prevent a bank becoming too big to fail. The risk of allowing a bank becoming too big to fail is these banks will take excessive risk with their operations, such as investing and lending. Too-big-to-fail banks know that the government cannot allow it to fail by going into bankruptcy because of the severe economic consequences. If a bank becomes too big to fail, there is the tendency for these banks to exploit the safety nets, such as deposit insurance, that protect banks from bankruptcy. Therefore, regulatory authorities work to create restrictions on banks, such as preventing market entry, implementing branching restrictions, preventing mergers, and preventing the joining of banking and commerce (Greenbaum and Thakor, 2007).

The two main commercial banks in Switzerland, UBS and Credit Suisse, have become too big to fail, with their wealth management sector being very large financial divisions within the bank. This is why it is important to understand how these banks are regulated because of the potential effects their actions or regulatory actions can have on the Swiss economy. There is potential for new regulations concerning the elimination of secret banking to negatively affect Swiss banks, which could lead to externalities affecting Switzerland's real economy.

Regulating for safety and soundness involves requirements for deposit insurance, establishing interest rate ceilings, capital reserve requirements, and portfolio restrictions. Banks are also regulated to limit how much they can lend to an individual borrower, and banks must practice market value accounting. The purpose of these regulations is to prevent excess risk taken by banks. Consumer protection is another regulatory objective that has the goal of creating fairness and opportunities for consumers. For example, cap rates on consumer loan interest rates are enforced as well as equal credit opportunity (Greenbaum and Thakor, 2007).

The final two bank regulation objectives are credit allocation and monetary control. Credit allocation involves regulating deposit interest rate ceilings and requiring banks to reinvest in the community they are located in. Monetary control sets the reserve requirements so banks must meet daily withdrawals and protect against the risk of bank runs. Monetary control also involves the discount rate banks are borrowing at. The rationale of regulating banks is to prevent anti-competitive behavior, mitigating risk from too-big-to-fail, financial contagion, and finally protecting consumers (Greenbaum and Thakor, 2007). With knowing how banks are regulated, it is important to understand the effects that regulations have on banking efficiency. The following section describes the impacts regulating banks have on efficiency.

### **Effects of Regulations on Banking Efficiency**

Despite the arguments that banking regulation protects consumers, creates better market efficiency, and prevents banks from taking excessive risk, there are different views regarding the impacts regulations can have on efficiency. The research paper written by Barth, Lin, Ma, Seade, and Song (2012) "Do bank regulation, supervision

and monitoring enhance or impede bank efficiency?” uses two differing views to address how regulations impact efficiency. The first view is the “public interest view” which views bank regulations as government actions that are for the betterment of everyone and are crafted to create better market efficiency (Barth et al., 2012, 2879). The second view is the “private interest view” that argues regulations on banks only benefit a certain few, and not society as a whole, which decreases banking efficiency (Barth et al., 2012, 2880).

The study by Barth et al. (2012) found there is a negative association with efficiency with tighter restrictions of bank operations. However, there was a positive effect on efficiency with more stringent capital regulations, and a positive effect on efficiency by having an independent supervisory authority. There is criticism towards creating activity restrictions through regulations. Activity restrictions reduce efficiency by preventing economies of scale and scope in banking. Activity restrictions also make it more difficult to process and gather information about firms and provide more services to customers. Regulations can also reduce a bank’s ability to diversify income, which reduces efficiency. Finally, the study showed regulatory monitoring for a bank’s transparency led to an increase in efficiency. External audits and disclosing bank information showed positive results.

As shown above, increased regulations restricting operations have a negative result on banking efficiency. Swiss banks will have to begin abiding by the restrictions of preventing tax fraud in their operations as the secrecy laws disappear. This in turn will have a negative effect on the efficiency of Swiss banks. However, the study by Barth et al. (2012) stated that an increase in transparency increased efficiency, and Swiss banks will have to increase transparency in their operations as they work to stop foreign tax evasion. This in turn may increase efficiency. Given the importance that secret banking and tax evasion has had on the success of Swiss banks, the steps taken towards ending total banking secrecy and stopping tax evasion will most likely have negative consequences on the efficiency of Swiss banks. The following section discusses Switzerland as a tax haven and the events causing Switzerland to begin finally cooperating with international authorities.

### **PART III: SWITZERLAND’S TAX HAVEN**

#### **Switzerland’s Tax Laws**

As mentioned earlier in this paper, Switzerland has established itself as a tax haven for the wealthy looking to evade taxes in their home country. The Organization of Economic Cooperation and Development (OECD) defines a tax haven as the following: “no or nominal tax on relevant income; lack of effective exchange information; lack of transparency and no substantial activities” (Turku, 2013, 819). After the First World War, all the Swiss business leaders of banks and other financial industries colluded in developing favorable tax standards to attract foreign investment. The Swiss Government also colluded with these business leaders by developing laws protecting the importation of wealth and placing government law and service professionals at the service of banks and the financial sector (Farquet, 2013).

Switzerland signed a bilateral double-taxation agreement, which instead of creating fiscal relationships between Switzerland and other countries, allowed the financial sector of Switzerland to refuse tax laws by being able to reassess taxation of exported assets out of parliamentary control (Farquet, 2013). Switzerland’s favorable tax laws also include not taxing income at home rates earned on capital foreign investment, not imposing a withholding tax, and often not reporting interest earned on investments (Turku, 2013). Countries losing tax revenue have protested Switzerland’s tax laws since they were first created. However, Swiss banks continued to resist cooperation with international authorities and profit from tax evasion because of the secrecy laws.

Swiss neutrality in international conflicts combined with secret banking created more ethical issues concerning the clientele of Swiss banks. Some Swiss accounts were linked to terrorist organizations and human rights violators. Following the September 11, 2001 terrorist attacks on the US, the US began an international war on terror pressuring all nations to contribute to the fight. Switzerland aided in the war on terror by freezing the bank

accounts linked to Al Qaeda and the Taliban. Swiss banks continued to freeze illegal accounts, the most notable being the assets of Muammar Gadhafi during the Libyan civil war (Turku, 2013). It can be debated whether these actions done by Switzerland was a step away from complete neutrality by choosing to fight criminal activities, or was it the start of Switzerland losing its sovereignty to appease international pressure. However, Swiss banking laws never addressed protection for those being prosecuted for criminal offenses that relate to banking so the Swiss Federal Council was able to easily address such issues (Ladd, 2012).

### **The Turning Point for the Swiss Banking Secrecy Laws**

As stated by Turku (2013) the three events causing Switzerland to submit to international pressure and finally change its banking practices was the 9/11 terrorist attacks, the 2008 financial crisis, and a 2009 legal case against UBS in the US. The 9/11 terrorists attacks created a change in Swiss banking policy to aid in the US war on terror by freezing the accounts of clients who are engaging in criminal activities such as terrorism. Then the 2008 financial crisis created a campaign started by the American President Barrack Obama to stop tax evasion, given the large losses in unearned tax revenue. The campaign's goals were to take further action against countries harboring US wealth and are being noncompliant with US tax authorities (Turku, 2013).

The year 2008 marked a major turning point for the United States battle with Switzerland and tax evasion. In 2008, a former employee of UBS, Brad Birkenfeld, testified against UBS providing documentation to US authorities proving that UBS has purposely been aiding wealthy US citizens to harbor their capital in Switzerland to evade taxes. In 2009, the US launched a successful legal case against the Swiss bank UBS, finally causing the Swiss government to re-evaluate secret banking. The US Internal Revenue Service (IRS) estimated that the US loses nearly 100 billion dollars of tax revenue from unreported offshore accounts (Lansing and Vohra, 2012). The US Department of Justice was now demanding that UBS release the names of US citizens evading taxes through UBS by threatening legal action against UBS's tax crimes. The legal battle between the US and UBS ended with UBS signing a Deferred Prosecution Agreement on February 18, 2009. The Swiss Financial Market Supervisory Authority ordered UBS to release the names of 4,450 US clients and pay a fine of 788,000,000 dollars to the US. Having handed over only 250 names, the US did threaten criminal prosecution against UBS; however, this dispute was settled between UBS and the Swiss government (Turku, 2013). The importance of this case launched by the US Department of Justice was it finally forced the Swiss government to cooperate with the US and break the secret banking laws.

The successful legal campaign by the United States that forced Switzerland to release the names of US citizens evading taxes created a domino effect. France, Italy, and Germany soon afterwards began demanding the names of their citizens who are storing unreported wealth in Switzerland. France estimated that up to three billion euros are being hidden in Swiss banks (Ladd, 2012). Switzerland is now struggling to resist compliance and continue practicing banking secrecy with the strong unification of countries attempting to stop tax evasion.

Recently, Switzerland introduced a bill that would allow banks to release the information of US citizens to US tax authorities. The release of names by UBS was in direct violation of Switzerland's banking secrecy laws, and Swiss banks are now struggling to practice banking secrecy without government support. The release of this new bill, whether it passes or not, implies that the future of Swiss secrecy laws is at risk and banks will have to restructure their operations. If the bill is passed, it will also pressure all financial banking centers in Switzerland to oblige by their promises of increasing transparency in their operations. In the past, Swiss banks have done little to increase transparency because the secrecy laws protected their operations. This bill was brought forward by the Swiss government, as part of negotiation with the United States Department of Justice who has continued its now five-year fight for the information of US clients evading taxes (Myles, 2013).

A fellow Canadian exchange student here in Switzerland I interviewed told me about the process of opening a bank account with UBS. During the application of his account he was asked if he was an American citizen and was

rigorously questioned after revealing his family owned a home in the US (Personal Interview 2013). UBS is now increasing their efforts to assure that, if they accept American clients, Americans have properly reported this account to their home tax authorities. In a recent press release by “World Radio Switzerland” an American businesswoman living in Switzerland and married to a Swiss man spoke of the difficulties she is having with banks in Switzerland. Dr. Manual Ammann, a Professor of Finance at the University of St. Gallen, commented that due to tensions with the US, Swiss banks are becoming risk-adverse with American clients in the chance they may not be compliant with the American tax authorities. Dr. Ammann also mentioned that Swiss banks are even evaluating whether it is economically worthwhile to go through the regulatory processes with American clients (Press Review, 2012). If a Swiss bank accepts an American account, client due diligence will now have to be confirmed from their home tax authority to assure the client is in total compliance with the authorities (Myles, 2013). The time of US citizens now wishing to store their capital in Switzerland to evade taxes is perhaps over, which will cause Swiss banks like UBS and Credit Suisse to re-evaluate the future of their Wealth Management Divisions.

### **The Swiss Government’s Continued Cooperation**

The Swiss government has tended to continue to protect the sovereignty of Switzerland by not succumbing to international pressure, hence securing the financial industry’s actions under secret banking. Understanding the importance of the banking industry for the Swiss economy, the Government has exhausted its efforts in postponing its cooperation with international authorities. Switzerland has signed treaties with countries like the US to cooperate in international criminal matters, but for the purpose of this paper I will address only recent actions by Switzerland to stop tax evasion.

Switzerland has prided itself in being a sovereign neutral nation. Swiss neutrality has been described as, “a historical, geographical, political, military, and economic necessity for the nation” (Turku, 2013, 831). However, in this new era of globalization the ability of a nation to remain completely sovereign is proving to be difficult. In the case of Switzerland, globalization has spawned a surge of international wealth and investment. Along with this foreign wealth is increased pressure from international supervisory authorities and countries protesting tax evasion. Following the UBS scandal and the US Department of Justice’s continued effort to stop tax evasion, on March 13, 2009 the Swiss Federal Council announced that administrative assistance would be given to regulatory authorities under Article 27. Administrative assistance meant cooperation from the government in aiding foreign tax authorities. However, banks were only to give administrative assistance to these authorities if they had a justified case against an individual along with evidence to suggest a client was committing tax evasion (Turku, 2013). This seems to be a government effort to delay the US and other nations trying to discover unreported wealth, while continuing to protect banking secrecy laws.

The OECD placed Switzerland on the list of countries that have agreed to enact twelve bilateral tax agreements, but have not yet implemented the new tax agreements. To enforce these agreements, Switzerland will have to restructure the laws around its secret banking and taxation policies. For example, Switzerland has signed agreements to persecute people committing tax fraud; however, Switzerland will only persecute individuals in Switzerland that meet Switzerland’s definition of tax fraud, which often doesn’t equate with the laws of other nations. The protective legislative laws on tax and strict secret banking in their current legal system will have to change (Turku, 2013). Switzerland remains on the OECD list, and though the Swiss government has begun to cooperate more with international authorities they are a long way from implementing the twelve OECD bilateral tax agreements.

In 1951 Switzerland signed a Convention for the Avoidance of Double Taxation with the US. The purpose of this convention was to increase the flow of information between the two countries to avoid both countries claiming tax on the same income and preventing tax fraud. However, since this convention does not mention tax evasion and the laws defining tax fraud differed between Switzerland and the US, the Swiss government has protected

banks from refusing to release client information to the US tax authorities. In September of 2009, the convention was amended to include tax evasion meaning that Switzerland shall forward information to the US in cases of tax evasion. The changes to this convention entails that Swiss banks are no longer protected under the banking secrecy law, and the Swiss government can now force banks to forward client information to the US (Turku, 2013). Switzerland is starting to move away from its complete sovereign policies by honoring this amendment and cooperating with the US. Swiss banks will have to adapt its practices to abide by international standards, as the Swiss government continues to cooperate with international authorities.

As the Swiss Federal Council continues to cooperate with international authorities, Swiss banks will continue having to evaluate their current structure and services to ensure international compliance is being met. Banks will have to assess the future risk and potential losses of foreign wealth if clients who are evading taxes pull their wealth from the banks. Swiss banks will now have to develop new strategies to protect their current high net worth clients, as it is becoming increasingly difficult to take on new clients wanting to evade taxes. The changes happening within the Swiss banking sector is due to an arduous combined effort of international law, domestic law, along with international regulatory authorities (Turku, 2013).

#### **PART IV: THE FUTURE OF THE SWISS BANKING SECTOR**

##### **Potential Effects and Options for Swiss Banks**

It is too early to say what the exact implications of these changing laws and regulations will have on the Swiss banking sector. The paper by Lansing and Vohra (2012) argue that there are two possible scenarios that can be carried out by either the clients of Swiss banks or the banks themselves. People who are evading taxes through a Swiss bank can pull their money out given the new risks that their identity is no longer completely secure from their home tax authorities. Once their wealth is out they can either move it somewhere else, or return the money to their home country and face potential punishment. For example, punishment from the IRS can include jail time, fines, and heavy taxation to make up for the years of not reporting it to the IRS. Either way, Switzerland stands to lose a considerable amount of wealth as the current and future market for much of their account diminishes (Lansing and Vohra, 2012).

The other possibility is that the Swiss banks personally collect taxes from these individuals on behalf of their country's tax authorities. The benefit of this for Swiss banks is it would maintain their client's secrecy. Banking secrecy is a pillar of the Swiss the banking system, which is why maintaining this standard is important so as not to jeopardize future investments and clients. The potential problems to this are it does not recognize that Swiss banks were committing crimes by purposely helping clients evade taxes. Also, since no information about the client will be released there is no way to determine at which rate they will be taxed or if all the years of back taxes are indeed paid. The other option is that the native tax authorities allow their citizens who own an offshore bank account return the money home penalty free. The argument towards this is that it will incentivize Swiss account holders to return their money home, and not transfer it elsewhere to further evade taxes. The governments of these countries will gain on future tax revenue from having this capital returned home, but Swiss banks still risk losing billions of dollars (Lansing and Vohra, 2012).

There are many potential negative financial effects of changing the secrecy laws that eliminate tax evasion. However, since it is still early to determine the exact effects there are estimates to what may happen financially. Zurich, which is the world's fifth largest financial center, has the potential to lose between  $\frac{1}{4}$  and  $\frac{1}{3}$  of the funds held under financial management's divisions (Myles, 2013). In 2009, the US declared an amnesty period to allow those who had unreported wealth in offshore bank accounts to report it to the IRS. Within this amnesty period that ended in October 2009, 14,700 US taxpayers disclosed their undeclared offshore wealth, which spanned 70 countries (Ladd, 2012). Swiss banks will have to evaluate their future potential losses as the changing Swiss secret banking laws continue to cause more clients to remove their assets.

Other arguments to the effect of changing secret banking laws on Swiss banks are that it is Switzerland's stable economy and government, and continued growth that will continue to attract foreign investment and wealth. The government states that Switzerland still has very desirable tax laws that will continue to attract multinational corporations establishing offices (Turku, 2013). The OECD Economic Survey of Switzerland (2013) states that the economy of Switzerland is strong, and was among the few that actually grew during the financial crisis. This was in part due to a strong demand of the Swiss Franc, increasing immigration, and a high level of capital inflows. The OECD survey projected positive growth in macroeconomic indicators and projections in the short run (OECD Economic Surveys, 2013). However, given the weak global economic conditions, investment in Switzerland has slowed. Banks may face challenges in the long run especially as potential capital inflows decrease because of the new tax laws.

It seems unreasonable to believe that with a globally integrated economy and the continued development of international standards and regulatory authorities that tax havens will continue to exist as they once did. This means that the almost century old traditional model of Swiss banking built on secrecy will have to change. Switzerland is becoming less sovereign as globalization continues to establish international standards. If Switzerland reforms to total tax compliance under the standards of the OECD, then a domino effect will most likely occur as other tax havens are also forced to reform. This will leave those who are evading taxes with only one option, which is to return their money home. It is important to understand that even though Switzerland has released client information to US authorities by the ruling of the Swiss Federal Government, the Swiss secrecy banking law is still intact (Myles, 2013). It will be some time when Switzerland fully reforms, and its clients are taxed fully to their home country's standards.

## **CONCLUSION**

Switzerland's government has reported that Switzerland will continue its efforts to increase transparency, cooperate with international authorities, and move towards becoming fully adapted to OECD tax standards (OECD Economic Survey, 2013). It is important to analyze how the Swiss banking sector will adapt to changing tax standards, as the Swiss banking industry established its international success through secret banking and tax evasion. The economic externalities involved with these changes could affect future investment and economic growth in Switzerland. The financial sector is important for the economic growth of Switzerland and the Swiss government will need to continue to protect Switzerland's interests by attracting foreign investment and capital inflows.

The purpose of this paper is to analyze potential effects that changing secret banking laws will have on the Swiss banking sector. Switzerland is still in the process of adapting to OECD regulatory tax standards; however, the losses of Swiss banks have started as clients have started pulling funds in light of the international fight on tax evasion. Tensions between Swiss banks and the US continue, as American citizens struggle in obtaining new accounts. As secret banking practices continue to dismantle, it is still early to state the full effects the new tax regulations will have on Swiss banks. There are only speculative estimates to the potential losses within the Swiss banking industry. Switzerland's economic growth and government stability has largely aided Switzerland's success, but the country will be tested in the future as the current frail global economy continues to decrease investment and international countries continue to pressure Switzerland's sovereignty.

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