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சென்செக்ஸ்

35,311 ▲ 46.73

நிஃப்டி 50

10,668 ▲ 10.75

கோல்டு (எம்சிஎக்...

30,302.00 ▲ 13.00

யுஎஸ்டி/ஐஎ...

68.93 ▲ 0.14

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Why Swiss banks are still popular among Indians despite being under government scanner

BY [SUGATA GHOSH](#), ET BUREAU | UPDATED: JUL 03, 2018, 08.46 AM IST

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[Swiss banks](#) pay little or nothing on deposits. They even charge a fee for holding the money. Their famed walls of secrecy have become porous. And, one of their prized sets of clients — the Indian rich — are under the government's hawk watch like never before.

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Nonetheless, the Alpine banks have not lost their charm as last week's baffling numbers released by the [Swiss National Bank](#) prove — after falling for three years, there's a 50% surge in the money parked by Indians in 2017 to 1.01 billion Swiss franc (about `7,000 crore). Indeed, Swiss banks are like the Swiss cheese: many holes, but enough cheese to hold the holes.

One can guess why. A relatively stable currency shields the money from wild swings in the [foreign exchange market](#). Trust laws in Switzerland are probably the best to pool and ring-fence family wealth — through [offshore trust](#) in which family members spread across the globe are named beneficiaries.

Swiss account is a ticket to the rich man's club that has its privileges — such as, access to investment opportunities where the entry level is higher for investors outside the club. And, the culture of secrecy in Swiss banks is so deep-rooted that the rich with undisclosed, untaxed slush funds still consider them to be safer bet than banks in other tax havens.

So, there is an element of truth in Arun Jaitley words that “not all [Swiss bank](#) money is dirty”. But the Swiss data and the minister's angry one-liner to silence his political rivals mask other concerns.

First, there is a good reason to believe that total money parked by Indians and outfits controlled by Indians in Swiss banks is far more

than`7,000 crore. The numbers disclosed by the central bank of Switzerland does not include the money that resident Indians and NRIs have in Swiss banks in the names of entities from different countries. This money is hidden in the mountain of deposits of all Swiss banks.



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In 2011-12, India and Switzerland signed the pact to share information on accounts that were active on or after January 1, 2011. The treaty was no secret. Negotiations were on for years and widely reported by the media at least two years since the agreement was signed. It would be naïve to think that those who have had money stashed in Swiss banks for years did not use the time to move their funds to other destinations (like Dubai?) well before January 2011.

Chances are that after five years, a big slice of this money has found its way back to the chests of old, trusted Swiss banks who promise that they are smarter than the rest. But this money is not counted in the data on Indian money with Swiss banks.

Well before the deadline of Jan 1, 2011, many moved their money from Swiss banks with the help clever lawyers and seasoned accountants. It began with an accountholder buying into a newly formed company in a jurisdiction like the UAE, Singapore, or Dubai.

It's a kosher investment, carried out under the Reserve Bank of India's Liberalised Remittance Scheme (LRS), which allows a resident Indian to invest up to \$250,000 in overseas stocks and properties.

Funds moving from Swiss banks to the new bank account of this company in Dubai or Singapore are booked as earnings and commissions from businesses like commodity trading, or consultancy. After a decent interval, the old money — now sanitised and shown as earnings from legitimate businesses — flows back to Swiss banks.

Discovering this money trail will never be easy. Swiss banks are under no obligation to disclose details of accounts that were closed before 1st January 2011. Unless the accountholder is a drug lord hounded by law enforcement agencies or a branded fugitive like Nirav Modi, his secrets buried with the Swiss banks cannot be exhumed. The money that has returned to Swiss bank belongs to a trading company in Dubai, which happens to be owned by an Indian — probably a joint venture with his NRI relatives and persons of Indian

origin (who don't hold Indian passports).

The quantum of such money will remain unknown. The Swiss are unlikely to ever disclose the funds they manage of Indian-controlled firms in other countries. For Mr Jaitley, the bigger and immediate concern is hidden in his own words ("not all Swiss bank money is dirty"). Indeed, he should be a worried man if there is a flight of genuine, tax-paid savings of wealthy Indians to Switzerland. Even as his ministry hunts for dirty money, it should perhaps ponder why clean money is leaving the shores. Why Switzerland continues to delight, even if it stinks a little like the Swiss cheese?

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