

INDIANS' MONEY IN SWISS BANKS FALLS, HITS SECOND-LOWEST LEVEL IN TWO DECADES

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

ZURICH/NEW DELHI: Money parked by Indian individuals and enterprises in Swiss banks, including through India-based branches, fell by nearly 6 per cent in 2018 to 955 million Swiss francs (about Rs 6,757 crore) to hit its second-lowest level in over two decades, [Swiss National Bank](#) data showed Thursday.

Aggregate funds of all foreign clients of Swiss banks also fell by over 4 per cent to CHF 1.4 trillion (nearly Rs 99 lakh crore) in 2018, as per the annual banking statistics released by the Zurich-based central banking authority of [Switzerland](#).

However, the 'locational banking statistics' of the Bank for International Settlement (BIS), which the Indian and Swiss governments had said last year was a more reliable measure for deposits by Indian individuals in Swiss banks, showed a greater fall of 11 per cent for 2018.

According to the SNB, its data for 'total liabilities' of Swiss banks towards Indian clients takes into account all kinds of funds of Indian customers at Swiss banks, including deposits from individuals, banks and enterprises. This includes data for branches of Swiss banks in India, as also non-deposit liabilities.

The funds, described by the SNB as 'liabilities' of Swiss banks or 'amounts due to' their clients, are the official figures reported by the banks and do not indicate the quantum of the much-debated alleged [black money](#) held by Indians there.

The official SNB figures also do not include the money that Indians, NRIs or others might have in Swiss banks in the names of entities from different countries.

The SNB data had shown the total liabilities of Swiss banks towards Indian clients rising by over 50 per cent in 2017 to CHF 1.01 billion (Rs 7,000 crore), reversing a three-year downward trend.

However, the quantum of such funds has fallen again in 2018 to CHF 954.71 million, which includes about CHF 15 million held through fiduciaries or wealth managers. This is the second-lowest total since CHF 723 million recorded over two decades ago in 1995. The lowest ever amount of CHF 675 million, ever since Switzerland began making the data public in 1987, was recorded in 2016.

As per the latest figures, the total customer deposits of Indian clients rose to CHF 572 million in 2018, but funds held through banks fell to CHF 104 million, while money parked through securities and other instruments and via fiduciaries also declined.

On the asset side, Swiss banks saw a marginal increase in the amount due from their Indian customers to CHF 212 million (from CHF 210 million in 2017).

In comparison, the BIS data showed that the total amount outstanding to non-bank or individual Indian clients of Swiss banks fell to USD 84.6 million at the end of 2018 (by 11 per cent from USD 94.8 million at the end of 2017). The fall was much larger at 44 per cent during 2017.

The BIS publishes quarterly figures, which shows that these funds rose during the first quarter of 2018 (to USD 100.9 million), but declined in the three remaining quarters of the year.

The annual SNB data has shown a decline four times during the last five years. The fall was the maximum at 45 per cent in 2016.

The funds held by Indians through fiduciaries alone used to be in billions till 2007 but began falling after that amid fears of regulatory crackdown.

The total funds held by Indians with Swiss banks stood at a record high of CHF 6.5 billion (Rs 23,000 crore) at 2006-end, but came down to nearly one-tenth of that level in about a decade.

Since those record levels, there has been a rise only three times -- in 2011 (12 per cent), 2013 (43 per cent) and then in 2017.

A new framework has been put in place for automatic exchange of information between Switzerland and India to help check the black money menace with effect from January 1, 2018.

Detailed financial information on all Indian residents that have an account maintained by a Swiss financial institution in 2018 will be provided for the first time to the Indian tax authorities in September 2019 and on a yearly basis thereafter. The information would also include accounts that would be closed during 2018.

While Switzerland has already begun sharing foreign client details on evidence of wrongdoing provided by India and some other countries, the new framework would expand the cooperation.

A number of strategies have been deployed by the government to combat the stashed-funds menace, in both overseas and domestic domain, which includes enactment of a new law, amendments to the Anti-Money Laundering Act and compliance windows for people to declare their hidden assets.

The tax department had detected suspected black money running into thousands of crores of rupees post investigations on global leaks about Indians stashing funds abroad and has launched prosecution against hundreds of them, including those with accounts in the Geneva branch of HSBC.

As per the SNB, there were 248 banks in Switzerland at the end of 2018, of which 216 reported a profit while 32 suffered losses.

Their aggregate profit rose to CHF 11.5 billion, but overall balance sheet size decreased slightly to CHF 3.2 trillion.

Domestic customer deposits rose by CHF 30.3 billion to CHF 1.22 trillion, while foreign customer deposits were down slightly to CHF 591.1 billion.

There was an increase of 16 per cent in fiduciary funds administered by banks in 2018 to CHF 160 billion, but remained much below the high of CHF 482.9 billion set in 2007.

The number of staff declined by 1,547 to 107,388.

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