



Written by [Brian Koenig](#) on September 13, 2012

Former UBS Banker Receives \$104M Whistleblower Award

A former banker with the Swiss global financial services company UBS has [received](#) a \$104-million whistleblower award from the Internal Revenue Service for detailing to the IRS how UBS advised thousands of Americans to evade taxes. Of course, before receiving his astoundingly generous bounty — the largest individual federal reward in U.S. history — Bradley Birkenfeld spent a couple of years in prison, as he himself advised clients on how to shield their assets from the U.S. tax agency.



After blowing the whistle on his former employer, Birkenfeld was slapped with a 40-month prison term for participating in UBS's tax evasion program, a ruling his attorneys protested. The former banker's tipoff opened the door to a [2009 settlement](#) between UBS and the federal government under which UBS paid \$780 million and forked over account information on nearly 5,000 of its clients. Since then, more than 35,000 Americans have pursued amnesty programs to repatriate offshore accounts, yielding the government some \$5 billion in fines, penalties, and back taxes, according to a statement by Birkenfeld's lawyers.

"The IRS today sent 104 million messages to whistleblowers around the world — that there is now a safe and secure way to report tax fraud and that the IRS is now paying awards," Birkenfeld's lawyers, Stephen Kohn and Dean Zerbe, [asserted](#) in a statement. "The IRS also sent 104 million messages to banks around the world — stop enabling tax cheats or you will get caught."

While the tax agency refused to provide specific details about the case, it acknowledged the \$104-million award. "The IRS believes that the whistleblower statute provides a valuable tool to combat tax non-compliance, and this award reflects our commitment to the law," the agency asserted in a statement.

"While the IRS was aware of tax compliance issues related to secret bank accounts in Switzerland and elsewhere, the information provided by the whistleblower formed the basis for unprecedented actions against UBS AG, with collateral impact on other enforcement activities and a continuing impact on future compliance by UBS AG," the statement continued.

The [IRS Whistleblower Office](#) was initiated in 2007, launching a platform in which whistleblowers can amass up to 30 percent of what the IRS collects as a result of their disclosures. The IRS whistleblower program was revamped by Congress in 2006 to hone in on high-earning tax evaders, certifying awards for whistleblowers whose tips lead to collections of at least \$2 million in interest, penalties, and unpaid taxes.

"The potential for this program is tremendous, and it's up to the IRS to continue paying rewards and demonstrating to whistleblowers that the process will work and that they will be heard and protected," stated Sen. Chuck Grassley (R-Iowa), who helped draft the revised program. "An award of \$104 million is obviously a great deal of money, but billions of dollars in taxes owed will be collected that otherwise would not have been paid, as a result of the whistleblower information."



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Countering criticisms about whether rewards should be granted to individuals indulging in criminal activity, Shayne Stevenson, an attorney who has previously represented whistleblowers, said those participating in such criminal schemes generally comprise the most valuable informants. “Oftentimes, the best people to tell you about a fraud are people whose hands aren’t entirely clean,” Stevenson suggested. “You want people who have made some bad decisions in their lives to turn and make some good decisions, and putting out a financial reward is a way to incentivize that.”

More broadly, Birkenfeld’s award should resonate to other financiers with intelligence on tax criminalities, Kohn averred, speaking on behalf of his client. “It’s not about Brad,” the lawyer said. “It’s about how other sources of information, other bankers view the U.S. whistleblower program.”

Birkenfeld served 31 months of his 40-month sentence after pleading guilty in 2008. He was released in August and is now confined to a residence in New Hampshire, working as a groundskeeper to fulfill his release requirements for a job. “This is the day I thought would never come,” Douglas Birkenfeld said on his brother’s behalf, shortly after the renowned whistleblower was released. “This is a monumental day not only for me, but for every whistleblower worldwide.”

Birkenfeld’s lawyers said he has already received his award check, from which — of course — the tax agency has already withheld taxes.

Photo of Bradley Birkenfeld: AP Images



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