



U.S. Department of Justice

Tax Division

Washington, D.C. 20044

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October 2, 2015

Via Electronic Mail

Mark R. Hellerer
Partner
Pillsbury Winthrop Shaw Pittman LLP
1540 Broadway
New York, NY 10036-4039

Re: Piguet Galland & Cie SA

Dear Mark:

Piguet Galland & Cie SA ("Piguet Galland") submitted a Letter of Intent on December 24, 2013, to participate in Category 2 of the Department of Justice's Program for Non-Prosecution Agreements or Non-Target Letters for Swiss Banks, as announced on August 29, 2013 (hereafter "Swiss Bank Program"). This Non-Prosecution Agreement ("Agreement") is entered into based on the representations of Piguet Galland in its Letter of Intent and information provided by Piguet Galland pursuant to the terms of the Swiss Bank Program. The Swiss Bank Program is incorporated by reference herein in its entirety in this Agreement.¹ Any violation by Piguet Galland of the Swiss Bank Program will constitute a breach of this Agreement.

On the understandings specified below, the Department of Justice will not prosecute Piguet Galland for any tax-related offenses under Titles 18 or 26, United States Code, or for any monetary transaction offenses under Title 31, United States Code, Sections 5314 and 5322, in connection with undeclared U.S. Related Accounts held by Piguet Galland during the Applicable Period (the "conduct"). Piguet Galland admits, accepts, and acknowledges responsibility for the conduct set forth in the Statement of Facts attached hereto as Exhibit A and agrees not to make any public statement contradicting the Statement of Facts. This Agreement does not provide any protection against prosecution for any offenses except as set forth above, and applies only to Piguet Galland and does not apply to any other entities or to any individuals. Piguet Galland expressly understands that the protections provided under this Agreement shall not apply to any acquirer or successor entity unless and until such acquirer or successor formally adopts and executes this Agreement. Piguet Galland enters into this Agreement pursuant to the authority granted by its Board of Directors in the form of a Board Resolution (a copy of which is attached hereto as Exhibit B).

¹ Capitalized terms shall have the meaning ascribed to them in the Swiss Bank Program.

In recognition of the conduct described in this Agreement and in accordance with the terms of the Swiss Bank Program, Piguet Galland agrees to pay the sum of \$15,365,000, as a penalty to the Department of Justice ("the Department"). This shall be paid directly to the United States within seven (7) days of the execution of this Agreement pursuant to payment instructions provided to Piguet Galland. This payment is in lieu of restitution, forfeiture, or criminal fine against Piguet Galland for the conduct described in this Agreement. The Department will take no further action to collect any additional criminal penalty from Piguet Galland with respect to the conduct described in this Agreement, unless the Tax Division determines Piguet Galland has materially violated the terms of this Agreement or the Swiss Bank Program as described on pages 5-6 below. Piguet Galland acknowledges that this penalty payment is a final payment and no portion of the payment will be refunded or returned under any circumstance, including a determination by the Tax Division that Piguet Galland has violated any provision of this Agreement. Piguet Galland agrees that it shall not file any petitions for remission, restoration, or any other assertion of ownership or request for return relating to the penalty amount or the calculation thereof, or file any other action or motion, or make any request or claim whatsoever, seeking to collaterally attack the payment or calculation of the penalty. Piguet Galland agrees that it shall not assist any others in filing any such claims, petitions, actions, or motions. Piguet Galland further agrees that no portion of the penalty that Piguet Galland has agreed to pay to the Department under the terms of this Agreement will serve as a basis for Piguet Galland to claim, assert, or apply for, either directly or indirectly, any tax deduction, any tax credit, or any other offset against any U.S. federal, state, or local tax or taxable income.

The Department enters into this Agreement based, in part, on the following Swiss Bank Program factors:

(a) Piguet Galland's timely, voluntary, and thorough disclosure of its conduct, including:

- how its cross-border business for U.S. Related Accounts was structured, operated, and supervised (including internal reporting and other communications with and among management);
- the name and function of the individuals who structured, operated, or supervised the cross-border business for U.S. Related Accounts during the Applicable Period;
- how Piguet Galland attracted and serviced account holders; and
- an in-person presentation and documentation, properly translated, supporting the disclosure of the above information and other information that was requested by the Tax Division;

(b) Piguet Galland's cooperation with the Tax Division, including conducting an internal investigation and making presentations to the Tax Division on the status and findings of the internal investigation;



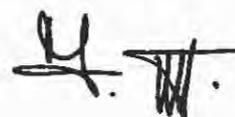
(c) Piguet Galland's production of information about its U.S. Related Accounts, including:

- the total number of U.S. Related Accounts and the maximum dollar value, in the aggregate, of the U.S. Related Accounts that (i) existed on August 1, 2008; (ii) were opened between August 1, 2008, and February 28, 2009; and (iii) were opened after February 28, 2009;
- the total number of accounts that were closed during the Applicable Period; and
- upon execution of the Agreement, as to each account that was closed during the Applicable Period, (i) the maximum value, in dollars, of each account, during the Applicable Period; (ii) the number of U.S. persons or entities affiliated or potentially affiliated with each account, and further noting the nature of the relationship to the account of each such U.S. person or entity or potential U.S. person or entity (e.g., a financial interest, beneficial interest, ownership, or signature authority, whether directly or indirectly, or other authority); (iii) whether it was held in the name of an individual or an entity; (iv) whether it held U.S. securities at any time during the Applicable Period; (v) the name and function of any relationship manager, client advisor, asset manager, financial advisor, trustee, fiduciary, nominee, attorney, accountant, or other individual or entity functioning in a similar capacity known by Piguet Galland to be affiliated with said account at any time during the Applicable Period; and (vi) information concerning the transfer of funds into and out of the account during the Applicable Period, including (a) whether funds were deposited or withdrawn in cash; (b) whether funds were transferred through an intermediary (including but not limited to an asset manager, financial advisor, trustee, fiduciary, nominee, attorney, accountant, or other third party functioning in a similar capacity) and the name and function of any such intermediary; (c) identification of any financial institution and domicile of any financial institution that transferred funds into or received funds from the account; and (d) identification of any country to or from which funds were transferred; and

(d) Piguet Galland's retention of a qualified independent examiner who has verified the information Piguet Galland disclosed pursuant to II.D.2 of the Swiss Bank Program.

Under the terms of this Agreement, Piguet Galland shall: (a) commit no U.S. federal offenses; and (b) truthfully and completely disclose, and continue to disclose during the term of this Agreement, consistent with applicable law and regulations, all material information described in Part II.D.1 of the Swiss Bank Program that is not protected by a valid claim of privilege or work product with respect to the activities of Piguet Galland, those of its parent company and its affiliates, and its officers, directors, employees, agents, consultants, and others, which information can be used for any purpose, except as otherwise limited in this Agreement.

Notwithstanding the term of this Agreement, Piguet Galland shall also, subject to applicable laws or regulations: (a) cooperate fully with the Department, the Internal Revenue Service, and any other federal law enforcement agency designated by the Department regarding



all matters related to the conduct described in this Agreement; (b) provide all necessary information and assist the United States with the drafting of treaty requests seeking account information of U.S. Related Accounts, whether open or closed, and collect and maintain all records that are potentially responsive to such treaty requests in order to facilitate a prompt response; (c) assist the Department or any designated federal law enforcement agency in any investigation, prosecution, or civil proceeding arising out of or related to the conduct covered by this Agreement by providing logistical and technical support for any meeting, interview, federal grand jury proceeding, or any federal trial or other federal court proceeding; (d) use its best efforts promptly to secure the attendance and truthful statements or testimony of any officer, director, employee, agent, or consultant of Piguet Galland at any meeting or interview or before a federal grand jury or at any federal trial or other federal court proceeding regarding matters arising out of or related to the conduct covered by this Agreement; (e) provide testimony of a competent witness as needed to enable the Department and any designated federal law enforcement agency to use the information and evidence obtained pursuant to Piguet Galland's participation in the Swiss Bank Program; (f) provide the Department, upon request, consistent with applicable law and regulations, all information, documents, records, or other tangible evidence not protected by a valid claim of privilege or work product regarding matters arising out of or related to the conduct covered by this Agreement about which the Department or any designated federal law enforcement agency inquires, including the translation of significant documents at the expense of Piguet Galland; and (g) provide to any state law enforcement agency such assistance as may reasonably be requested in order to establish the basis for admission into evidence of documents already in the possession of such state law enforcement agency in connection with any state civil or criminal tax proceedings brought by such state law enforcement agency against an individual arising out of or related to the conduct described in this Agreement.

Piguet Galland further agrees to undertake the following:

1. Piguet Galland agrees, to the extent it has not provided complete transaction information pursuant to Part II.D.2.b.vi of the Swiss Bank Program, and set forth in subparagraph (c) on pages 2-3 of this Agreement, Piguet Galland will promptly provide the entirety of the transaction information upon request of the Tax Division.
2. Piguet Galland agrees to close as soon as practicable, and in no event later than two years from the date of this Agreement, any and all accounts of recalcitrant account holders, as defined in Section 1471(d)(6) of the Internal Revenue Code; has implemented, or will implement, procedures to prevent its employees from assisting recalcitrant account holders to engage in acts of further concealment in connection with closing any account or transferring any funds; and will not open any U.S. Related Accounts except on conditions that ensure that the account will be declared to the United States and will be subject to disclosure by Piguet Galland.
3. Piguet Galland agrees to use best efforts to close as soon as practicable, and in no event later than the four-year term of this Agreement, any and all U.S. Related Accounts classified as "dormant" in accordance with applicable laws, regulations



and guidelines, and will provide periodic reporting upon request of the Tax Division if unable to close any dormant accounts within that time period. Piguet Galland will only provide banking or securities services in connection with any such "dormant" account to the extent that such services are required pursuant to applicable laws, regulations and guidelines. If at any point contact with the account holder(s) (or other person(s) with authority over the account) is re-established, Piguet Galland will promptly proceed to follow the procedures described above in paragraph 2.

4. Piguet Galland agrees to retain all records relating to its U.S. cross-border business, including records relating to all U.S. Related Accounts closed during the Applicable Period, for a period of ten (10) years from the termination date of the this Agreement.

With respect to any information, testimony, documents, records or other tangible evidence provided to the Tax Division pursuant to this Agreement, the Tax Division provides notice that it may, subject to applicable law and regulations, disclose such information or materials to other domestic governmental authorities for purposes of law enforcement or regulatory action as the Tax Division, in its sole discretion, shall deem appropriate.

Piguet Galland's obligations under this Agreement shall continue for a period of four (4) years from the date this Agreement is fully executed. Piguet Galland, however, shall cooperate fully with the Department in any and all matters relating to the conduct described in this Agreement, until the date on which all civil or criminal examinations, investigations, or proceedings, including all appeals, are concluded, whether those examinations, investigations, or proceedings are concluded within the four-year term of this Agreement.

It is understood that if the Tax Division determines, in its sole discretion, that: (a) Piguet Galland committed any U.S. federal offenses during the term of this Agreement; (b) Piguet Galland or any of its representatives have given materially false, incomplete, or misleading testimony or information; (c) the misconduct extended beyond that described in the Statement of Facts or disclosed to the Tax Division pursuant to Part II.D.1 of the Swiss Bank Program; or (d) Piguet Galland has otherwise materially violated any provision of this Agreement or the terms of the Swiss Bank Program, then (i) Piguet Galland shall thereafter be subject to prosecution and any applicable penalty, including restitution, forfeiture, or criminal fine, for any federal offense of which the Department has knowledge, including perjury and obstruction of justice; (ii) all statements made by Piguet Galland representatives to the Tax Division or other designated law enforcement agents, including but not limited to the appended Statement of Facts, any testimony given by Piguet Galland's representatives before a grand jury or other tribunal whether prior to or subsequent to the signing of this Agreement, and any leads therefrom, and any documents provided to the Department, the Internal Revenue Service, or designated law enforcement authority by Piguet Galland shall be admissible in evidence in any criminal proceeding brought against Piguet Galland and relied upon as evidence to support any penalty on Piguet Galland; and (iii) Piguet Galland shall assert no claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, or any other federal rule that such statements or documents or any leads therefrom should be suppressed.



Determination of whether Piguet Galland has breached this Agreement and whether to pursue prosecution of Piguet Galland shall be in the Tax Division's sole discretion. The decision whether conduct or statements of any current director, officer or employee, or any person acting on behalf of, or at the direction of, Piguet Galland, will be imputed to Piguet Galland for the purpose of determining whether Piguet Galland has materially violated any provision of this Agreement shall be in the sole discretion of the Tax Division.

In the event that the Tax Division determines that Piguet Galland has breached this Agreement, the Tax Division agrees to provide Piguet Galland with written notice of such breach prior to instituting any prosecution resulting from such breach. Within thirty (30) days of receipt of such notice, Piguet Galland may respond to the Tax Division in writing to explain the nature and circumstances of such breach, as well as the actions that Piguet Galland has taken to address and remediate the situation, which explanation the Tax Division shall consider in determining whether to pursue prosecution of Piguet Galland.

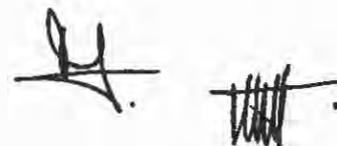
In addition, any prosecution for any offense referred to on page 1 of this Agreement that is not time-barred by the applicable statute of limitations on the date of the announcement of the Swiss Bank Program (August 29, 2013) may be commenced against Piguet Galland, notwithstanding the expiration of the statute of limitations between such date and the commencement of such prosecution. For any such prosecutions, Piguet Galland waives any defenses premised upon the expiration of the statute of limitations, as well as any constitutional, statutory, or other claim concerning pre-indictment delay and agrees that such waiver is knowing, voluntary, and in express reliance upon the advice of Piguet Galland's counsel.

It is understood that the terms of this Agreement, do not bind any other federal, state, or local prosecuting authorities other than the Department. If requested by Piguet Galland, the Tax Division will, however, bring the cooperation of Piguet Galland to the attention of such other prosecuting offices or regulatory agencies.

It is further understood that this Agreement and the Statement of Facts attached hereto may be disclosed to the public by the Department and Piguet Galland consistent with Part V.B of the Swiss Bank Program.

This Agreement supersedes all prior understandings, promises and/or conditions between the Department and Piguet Galland. No additional promises, agreements, and conditions have been entered into other than those set forth in this Agreement and none will be entered into unless in writing and signed by both parties.

[Signatures to Follow on Next Page]



**AGREED AND ACCEPTED
UNITED STATES DEPARTMENT OF JUSTICE, TAX DIVISION**



CAROLINE D. CIRAULO
Acting Assistant Attorney General

10/23/2015
DATE



THOMAS J. SAWYER
Senior Counsel for International Tax Matters

23 October 2015
DATE



W. DAMON DENNIS
Trial Attorney

27 October 2015
DATE

**AGREED AND CONSENTED TO:
PIGUET GALLAND & CIE SA**



MICHELE LUYET
Chief Operating Officer

October 19, 2015
DATE



CLAUDE ALEXIS WALTER
Head of Legal Department

October 19, 2015
DATE

APPROVED



MARK R. HELLERER
MARIA T. GALENO
ANDREW C. SMITH
Pillsbury Winthrop Shaw Pittman LLP

October 21, 2015
DATE

EXHIBIT A TO PIGUET GALLAND & CIE NON-PROSECUTION AGREEMENT

STATEMENT OF FACTS

BACKGROUND

1. Piguet Galland & Cie SA ("Piguet Galland" or "the Bank") evolved through the combination of three small, traditional Swiss private banks focused on wealth management.
2. In November 2003, Banque Franck SA ("Banque Franck") acquired the client relationships of Banque Galland & Cie SA ("Banque Galland") to become Franck Galland & Cie SA (hereinafter collectively "Franck Galland" unless otherwise indicated).
3. Until 2011, Piguet & Cie ("Banque Piguet") was a separate entity, majority-owned by Banque Cantonale Vaudoise ("BCV").
4. Between February and April 2011, BCV acquired Franck Galland from its owner ("the U.S. financial group") pursuant to a stock sale and then merged it with Banque Piguet (the "2011 Acquisition") to form Piguet Galland. BCV owns Piguet Galland. None of the constituent banks has or had a representative office or branch in the United States.
5. Piguet Galland's market focus is French-speaking Swiss residents, and it currently has regional branches in three of Switzerland's French-speaking cantons. As a result, more than 60% of the Bank's clients are Swiss, and the remaining clients are primarily from local European countries.
6. At all relevant times, Piguet Galland has provided private banking services to Swiss and non-Swiss individuals and entities, including some citizens and/or residents of the United States ("U.S. persons").
7. As of December 31, 2010, shortly before the 2011 Acquisition, Franck Galland held aggregate assets under management totaling approximately \$3.35 billion. At that time, Banque Piguet held aggregate assets under management totaling approximately \$4.68 billion. As of December 31, 2011, and thus after the 2011 Acquisition, the newly-formed Piguet Galland held aggregate assets under management totaling approximately \$7.45 billion.

U.S. INCOME TAX & REPORTING OBLIGATIONS

8. U.S. citizens, resident aliens, and legal permanent residents have an obligation to report all income earned from foreign bank accounts on their tax returns and to pay the taxes due on that income. Since tax year 1976, U.S. citizens, resident aliens, and legal permanent residents have had an obligation to report to the Internal Revenue Service ("IRS") on Schedule B of a U.S. Individual Income Tax Return, Form 1040, whether that individual had a financial interest in, or signature authority over, a financial account in a

foreign country in a particular year by checking "Yes" or "No" in the appropriate box and identifying the country where the account was maintained.

9. Since 1970, U.S. citizens, resident aliens, and legal permanent residents who have had a financial interest in, or signature authority over, one or more financial accounts in a foreign country with an aggregate value of more than \$10,000 at any time during a particular year have been required to file with the Department of the Treasury a Report of Foreign Bank and Financial Accounts, FinCEN Form 114 (the "FBAR," formerly known as Form TD F 90-22.1). The FBAR must be filed on or before June 30 of the following year.
10. An "undeclared account" was a financial account owned by an individual subject to U.S. tax and maintained in a foreign country that had not been reported by the individual account owner to the U.S. government on an income tax return or other form and an FBAR as required.
11. Since 1935, Switzerland has maintained criminal laws that ensure the secrecy of client relationships at Swiss banks. While Swiss law permits the exchange of information in response to administrative requests made pursuant to a tax treaty with the United States and certain legal requests in cases of tax fraud, Swiss law otherwise prohibits the disclosure of identifying information without client authorization. Because of the secrecy guarantee that they created, these Swiss criminal provisions have historically enabled U.S. clients to conceal their Swiss bank accounts from U.S. authorities.
12. In or about 2008, Swiss bank UBS AG ("UBS") publicly announced that it was the target of a criminal investigation by the Internal Revenue Service and the United States Department of Justice and that it would be exiting and no longer accepting certain U.S. clients. On February 18, 2009, the Department of Justice and UBS filed a deferred prosecution agreement in the Southern District of Florida in which UBS admitted that its cross-border banking business used Swiss privacy law to aid and assist U.S. clients in opening and maintaining undeclared assets and income from the IRS. Since UBS, several other Swiss banks have publicly announced that they were or are the targets of similar criminal investigations and that they would likewise be exiting and not accepting certain U.S. clients (UBS and the other targeted Swiss banks are collectively referred to as "Category 1 banks"). These cases have been closely monitored by banks operating in Switzerland, including Piquet Galland and its predecessor entities, since at least August of 2008.

QUALIFIED INTERMEDIARY AGREEMENTS AND THEIR ROLE IN NON-COMPLIANT U.S.-RELATED ACCOUNTS

13. In 2001, Banque Piquet, Banque Franck, and Banque Galland each entered into Qualified Intermediary Agreements with the IRS. The Qualified Intermediary regime provided a comprehensive framework for U.S. information reporting and tax withholding by a non-U.S. financial institution with respect to U.S. securities. The Qualified Intermediary Agreements were designed to help ensure that, with respect to U.S. securities held in

accounts at the banks, non-U.S. persons were subject to the proper U.S. withholding tax rates and that U.S. persons holding U.S. securities were properly paying U.S. tax.

14. The Qualified Intermediary Agreements took account of the fact that Swiss banks were prohibited by Swiss law from disclosing the identity of an account holder. In general, if an account holder wanted to trade in U.S. securities and avoid mandatory U.S. tax withholding, the agreements required Swiss banks to obtain the consent of the account holder to disclose the client's identity to the IRS.
15. The Qualified Intermediary Agreement entered into by Banque Piguet, and later Piguet Galland, required the Bank to obtain IRS Forms W-9 and to undertake IRS Form 1099 reporting for new and existing U.S. clients engaged in U.S. securities transactions. The Qualified Intermediary Agreement entered into by Banque Franck (and later Franck Galland) applied that requirement to all U.S. clients engaged in any securities transactions, including non-U.S. securities transactions, due to those entities' ownership by a U.S. financial group. In addition, Banque Franck (and later Franck Galland) filed Forms 1099 directly with the IRS on relevant U.S. Related Accounts without the use of an intermediary.
16. Since 2001, Banque Piguet, Banque Galland, and Banque Franck (and later Franck Galland and Piguet Galland) have prohibited U.S. account holders without a Form W-9 and a bank secrecy waiver from holding U.S. securities. The IRS approved Qualified Intermediary external audits performed at both Banque Piguet and Franck Galland in 2005 and 2008, as well as one performed at Piguet Galland in 2011.

OVERVIEW OF THE U.S. CROSS-BORDER BUSINESS

17. Piguet Galland has, among its clients, individuals and entities resident in Switzerland along with individuals and entities resident outside of Switzerland, including certain clients who were U.S. taxpayers during the Applicable Period.¹ Piguet Galland (as well as its predecessor banks) knew that some U.S. taxpayers who had opened and maintained accounts at the Bank were not complying with their U.S. income tax and reporting obligations.
18. During the Applicable Period, Piguet Galland and its predecessor banks held 337 U.S. Related Accounts that existed as of August 1, 2008 or were opened thereafter, with aggregate assets under management of \$441 million. This includes 80 U.S. Related Accounts held at Banque Franck that were closed before the 2011 Acquisition. As part of the 2011 Acquisition, Piguet Galland acquired 82 U.S. Related Accounts from Franck Galland, including at least ten undeclared accounts with aggregate assets under management of \$9.7 million. Piguet Galland continued to manage those ten undeclared accounts during the Applicable Period. Since August 2008, Piguet Galland and/or its predecessor banks have closed 238 accounts with aggregate assets under management of \$228 million.

¹ Capitalized terms not otherwise defined in this Statement of Facts have the meanings set forth in the Program for Non-Prosecution Agreements or Non-Target Letters for Swiss Banks, issued on August 29, 2013 (the "Swiss Bank Program").

19. During the Applicable Period, 36 private bankers or “relationship managers” were responsible for managing at least one U.S. taxpayer account at Piquet Galland or its predecessor entities. These relationship managers served as the primary contact persons for the Bank’s U.S. clients or their advisors.
20. One particular relationship manager (“RM-1”) was responsible for managing many of the U.S. Related Accounts at Banque Franck and later Franck Galland, including most of the undeclared accounts brought over from Banque Franck. RM-1 was a member of senior management at both of those banks. Before the Applicable Period, RM-1 opened several entity and trust accounts for U.S. persons, which accounts remained open into the Applicable Period. RM-1 was as a relationship manager for at least 65 U.S. Related Accounts at Piquet Galland, including the entity and trust accounts, referenced above, during the Applicable Period.
21. RM-1 traveled regularly to the United States, mostly to attend meetings with both existing and potential U.S. clients. Specifically, RM-1 traveled to Arizona, California, New Hampshire, New York, and Wisconsin, among other places, to meet both existing and potential clients, sometimes at the request of the U.S. financial group that owned Franck Galland, and often in connection with trips to visit the U.S. financial group’s management. During the Applicable Period, RM-1 met with U.S. clients at hotels, clients’ clubs, and other public places in the United States. Management at Franck Galland, including its former Chief Executive Officer, was aware of RM-1’s travel to the United States. In fact, at least one member of Franck Galland’s Executive Committee knew that RM-1 was a U.S. person at the time he started employment.
22. In total, RM-1 traveled to the United States in connection with 23 accounts, out of the 41 accounts reviewed that he managed. This travel included a two-week trip in December 2007, memorialized in writing by RM-1, during which he attended a hedge fund annual dinner in New York, where he exchanged business cards with several guests. The trip also involved meeting with members of the U.S. financial group management.
23. Franck Galland had a sister entity that was also owned by the U.S. financial group. This sister entity was a now-dissolved Cayman Island entity (the “Cayman Entity”). The Cayman Entity’s business activities were outsourced to an unaffiliated third party beginning in 2009, and the Cayman Entity was acquired by Piquet Galland as part of the 2011 Acquisition. The Cayman Entity was ultimately liquidated in 2013, effective 2014.
24. Among other things, prior to the 2011 Acquisition, the Cayman Entity:
 - assisted in the opening of undeclared U.S. Related Accounts at Franck Galland, sometimes through entities the Cayman Entity helped to create;
 - helped manage structures holding undeclared U.S. Related Accounts at Franck Galland;
 - suggested facilitating meetings in the United States between RM-1 and undeclared U.S. taxpayer-clients with Cayman Entity accounts at Franck Galland; and

- facilitated cash withdrawals and transfers out of undeclared U.S. Related accounts at Franck Galland.
25. RM-1 was the relationship manager for all 16 U.S.-related accounts at Franck Galland associated with the Cayman Entity, ten of which were closed in 2009 and 2010. From 1995 to June 2011, the Cayman Entity served as trustee for two trusts that held U.S. Related Accounts. The Cayman Entity continued to act as trustee of those trusts even after the 2011 Acquisition.
 26. A member of the management of Franck Galland became a member of the Board of Directors of the Cayman Entity in or around 2001. This individual had regular interactions with the management of the Cayman Entity and the U.S. financial group mentioned above regarding the Cayman Entity's related business activities, which consisted of: (1) administration of mutual fund clients emanating from its sister bank, Franck Galland (11 funds); (2) service provision to clients of registered offices (45 offices) and managed companies (13 companies); and (3) banking services to private banking clientele (13 clients). Its initial clientele was acquired through Franck Galland's relationships, and succeeding clientele was acquired through a U.S. financial group, and referrals from existing clients. However, the Cayman Entity also conducted business with banks other than Franck Galland.
 27. The Cayman Entity also held a subsidiary, the only purpose of which was to hold a condominium in George Town, Cayman Islands. While the condominium was principally for use by the U.S. financial group and its management, it was also used by executives of Franck Galland and at least three of its U.S. taxpayer-clients. The condominium was sold prior to the 2011 Acquisition.
 28. Piguet Galland and its predecessor banks offered a variety of traditional Swiss banking services that they knew or should have known would assist U.S. taxpayers in concealing assets and income from the IRS, including hold mail, code name or numbered account services. These services allowed certain U.S. taxpayers to minimize the paper trail associated with the undeclared assets and income they held at the Bank in Switzerland.
 29. Among other things, prior to the Applicable Period (and therefore prior to the 2011 Acquisition), Franck Galland:
 - permitted two former relationship managers other than RM-1 to travel to the U.S. on seven occasions to meet with three U.S. taxpayer-clients, including one instance in which one of these two relationship managers provided \$5,000 in cash from an undeclared account held by a U.S. taxpayer-client directly to that client in the United States;
 - had relationships with two external asset managers who travelled to the United States to meet with U.S. taxpayer clients, although such travel violated the cooperation agreements between the external asset managers and Franck Galland; and

- in 2003, at the time of the acquisition of Banque Galland's business, Franck Galland closed undeclared U.S. Related Accounts in favor of opening new relationships with the same U.S. taxpayer-clients through undeclared accounts held in the name of structures at Franck Galland.
30. Among other things, during the Applicable Period (but prior to the 2011 Acquisition), Banque Piguet specifically:
- allowed some of its relationship managers to use private email accounts in communicating with Bank clients, including U.S. taxpayers, and allowed relationship managers to communicate with Bank clients, including U.S. taxpayers on at least two occasions, through a separate email domain, "4uonly.ch", without disclosure of the communication's origin; and
 - allowed a former relationship manager ("RM-2") to travel to the United States to visit U.S. clients and prospective clients.
31. Among other things, during the Applicable Period (but prior to the 2011 Acquisition), both Franck Galland and Banque Piguet specifically:
- opened and maintained undeclared accounts beneficially owned by U.S. taxpayers and held in the name of structures, some of which had cash or credit cards linked to them, while knowing, or having reason to know, that some of these structures were used by U.S. taxpayer-clients to help conceal their identities from the IRS;
 - maintained accounts where the U.S. indicia had been suppressed prior to the Applicable Period for 13 undeclared U.S. Related Accounts (11 of which were managed by RM-1) by failing to register U.S. taxpayer-clients as U.S. persons in the Bank's IT system despite knowledge of the U.S. taxpayer-clients' U.S. citizenship and/or U.S. residence;
 - opened and maintained accounts for seven U.S. taxpayer-clients transferring from other Swiss financial institutions that were closing such accounts, while both Franck Galland and Banque Piguet knew, or had reason to know, that a portion of the accounts at such other institutions were or likely were undeclared;
 - maintained undeclared accounts for U.S. taxpayer-clients who renounced their beneficial ownership of such accounts, or who transferred account funds to non-U.S.-related accounts, while continuing to exercise control or retain entitlement to the funds;
 - accepted instructions in connection with U.S. Related Accounts not to invest in U.S. securities and not to disclose the names of U.S. taxpayer-clients to U.S. tax authorities, including the IRS; and
 - processed cash withdrawals by U.S. taxpayer-clients in order to close undeclared accounts, including three accounts that had cash withdrawals in excess of \$100,000 within the last two months of their closure: one account with a cash

withdrawal in excess of \$500,000 and two accounts with cash withdrawals in excess of \$100,000.

32. With respect to the structured accounts, Banque Piguet and Franck Galland permitted certain U.S. taxpayers to open accounts held in the name of offshore structures where the U.S. taxpayer's interest in the account was not reported to the IRS. Some such offshore structure accounts were operated without strict adherence to corporate formalities and, in effect, were operated by the U.S. beneficial owners as sham, conduit, or nominee entities. In this regard, in some instances, Banque Piguet and Franck Galland's relationship managers met with or took directions or instructions from the U.S. taxpayer beneficial owners of offshore structure accounts, instead of the directors or other authorized parties on the accounts.
33. After the 2011 Acquisition, Piguet Galland maintained some of these undeclared accounts beneficially owned by U.S. taxpayers and held in the name of structures; maintained four credit cards and one cash card linked to such accounts; permitted some U.S. taxpayer- clients to close undeclared accounts through cash withdrawals; maintained numbered accounts for some U.S. account holders; and held statements and other mail relating to some U.S. Related Accounts. More specifically, for example:
- Twelve accounts were closed using cash transactions exceeding 10% of the account's maximum aggregated assets under management during the Applicable Period. Of those 12, two were closed using cash transactions that exceeded 70% of the account's maximum AUM. The total aggregate amount of cash transactions on these two accounts was about \$730,000.
 - Seven U.S. Related Accounts held by entities (i) for which the Bank paid at least one credit card bill on behalf of at least one U.S. client who beneficially owned the entity account, or (ii) for which the Bank issued travel cash. This allowed U.S. clients to draw on the funds of the entity without following corporate formalities. Approximately \$210,000 was paid out or withdrawn via these credit cards or travel cash cards on these seven U.S. Related Accounts, which had total aggregate assets under management of \$5.6 million.
34. Piguet Galland and its predecessor banks, and their employees, had been aware of their U.S. taxpayer-clients' tax and FBAR reporting obligations for many years. Nonetheless, the Banks opened, serviced, and profited from accounts for U.S. taxpayers with the knowledge that some were likely not complying with these obligations.

MITIGATING FACTORS

35. In 2009, Banque Piguet implemented a "Regularize or Leave" action plan that required all U.S. taxpayer-clients holding, directly or indirectly, accounts at the Bank to (i) establish their U.S. tax compliance; (ii) participate in a voluntary disclosure program; or (iii) close their accounts. As a result of the "Regularize or Leave" action plan, 42% of the U.S. taxpayer accounts known in August 2008 to lack positive evidence of U.S. tax compliance were closed or remediated by the end of 2010.

36. Also in 2009, Franck Galland adopted a Regularize or Leave action plan, and 85% of Franck Galland's U.S. taxpayer accounts open as of August 1, 2008 were closed between January 1, 2009 and February 2011, when the bank was acquired by BCV. In 2009, Franck Galland's controlling shareholder further created an SEC-registered entity called "Franck Galland U.S. Advisors" ("FGUSA"), in order to serve tax-compliant U.S. resident clients at Franck Galland and other banks.
37. FGUSA was not included in the 2011 Acquisition because the newly-formed Piguet Galland wanted to minimize its involvement with U.S. clientele. Once the newly-formed entity came into existence in 2011, Piguet Galland decided to unify its predecessor banks' policies and engage in regular review of U.S. account documentation.
38. In March 2011, Piguet Galland announced that (i) it would only provide custodial services to U.S. residents; (ii) wealth management services would have to be provided by SEC-registered asset managers; and (iii) U.S. citizen clients had to provide a Form W-9 and execute a banking secrecy waiver in order to open or maintain an account with the Bank. Also in March 2011, Piguet Galland issued a directive that expressly prohibited assistance in the creation of offshore structures.
39. In July 2012, Piguet Galland adopted new formal policies stating that (i) existing U.S. resident clients had to provide evidence of tax compliance and execute a banking secrecy waiver; (ii) the Bank would not accept new U.S. resident accounts, except for some temporary Swiss expatriates in the U.S. that required Executive Committee approval; and (iii) no new accounts could be held through a structure with a U.S. beneficial owner.

PIGUET GALLAND'S COOPERATION THROUGHOUT THE SWISS BANK PROGRAM

40. Throughout its participation in the Swiss Bank Program, Piguet Galland committed to providing full cooperation to the U.S. government and has made timely and comprehensive disclosures regarding its U.S. cross-border business. Specifically, the Bank, with the assistance of U.S. and Swiss counsel, forensic investigators, and in compliance with Swiss privacy law has:
 - conducted an extensive internal investigation which included but is not limited to: (i) interviews of relationship managers and other employees; (ii) reviews of client account files and correspondence; (iii) analysis of relevant management policies; and (iv) email searches;
 - provided written reports on the findings of its internal review to the Department of Justice and provided in-person presentations and documentation supporting the findings of its review;
 - provided information concerning several U.S. client accounts held at Franck Galland, Banque Piguet, and Piguet Galland in Switzerland since August 2008 sufficient to make treaty requests to the Swiss competent authority for U.S. client account records;

- described in detail the structure of its U.S. cross-border business, which included but is not limited to: (i) its cross-border business policies; (ii) a summary of U.S. Related Accounts by assets under management; (iii) a redacted summary of external asset managers and relationship managers with U.S. Related accounts by assets under management; and (iv) information about U.S. Related Accounts associated with external asset managers and relationship managers;
- provided a list of the names and functions of individuals who structured, operated, or supervised the cross-border business at Franck Galland, Banque Piguet, and Piguet Galland;
- closed approximately 238 U.S. Related Accounts between August 1, 2008 and December 31, 2013, totaling approximately \$228 million in assets under management. Many of these U.S. Related accounts were closed in connection with Piguet Galland's remediation efforts;
- informed clients about and encouraged clients to enter the IRS's offshore voluntary disclosure program. Based on Piguet Galland's efforts, many of its former U.S. clients entered into the IRS's voluntary disclosure program and paid back taxes, penalties, and interest in connection with failing to report their undeclared accounts; and
- obtained waivers from some of its former U.S. clients, and provided their names to the U.S. government.



PIGUET GALLAND & CIE SA
BANQUIERS DEPUIS 1856

RESOLUTION OF THE BOARD OF DIRECTORS OF PIGUET GALLAND & CIE SA

At a meeting duly held on October 18, 2015, the Board of Directors (the "Board") of Piguet Galland & Cie SA (the "Bank") resolved as follows:

WHEREAS, the Bank has been engaged in discussions with the United States Department of Justice (the "DOJ") arising out of the Bank's participation in Category 2 of the DOJ's Program for Non-Prosecution Agreements or Non-Target Letters for Swiss Banks;

WHEREAS, in order to resolve such discussions, it is proposed that the Bank enters into a non-prosecution agreement with the DOJ, under the terms of which the Bank undertakes, among other things, to pay a sum of \$15'365'000 to the DOJ (the "Agreement"); and

WHEREAS, the Board of the Bank has reviewed the entire Agreement attached hereto, including the Statement of Facts attached as Exhibit A to the Agreement and consulted with Swiss and U.S. counsel in connection with this matter.

The Board **RESOLVES** that:

1. The Agreement is hereby approved and shall be entered into by the Bank.
2. Any two of the following persons: Mr. Gérard Haerberli, Chairman, Ms. Michèle Luyet, Chief Operating Officer, Mr. Clyde Walter, Head of Legal, as well as the Bank's other Directors and members of the Bank's Executive Committee (collectively, the "Authorized Signatories"), are hereby authorized to execute the Agreement on behalf of the Bank, substantially in such form as reviewed by the Board, with such non-material changes as the Authorized signatories may approve;
3. The Board hereby authorizes, empowers and directs the Authorized Signatories to take, on behalf of the Bank, any and all actions as may be necessary or appropriate, and to approve and execute the forms, terms or provisions of any agreement or other document, as may be necessary or appropriate to carry out and effectuate the purpose and intent of the foregoing resolutions; and
4. Mr. Mark R. Hellerer of the U.S. law firm Pillsbury Winthrop Shaw Pittman LLP, in his capacity as U.S. Counsel to the Bank, is hereby authorized to execute the Agreement on behalf of the Bank, in the form that the Authorized Signatories shall have approved.



In WITNESS WHEREOF, the Board has passed this Resolution, to be part of the minutes of the meeting referred to above.

A handwritten signature in blue ink, consisting of a large 'G' followed by 'H' and a small 's'.

Gérard Haerberli
Chairman

A handwritten signature in blue ink, appearing to read 'Ceres Wicky Métroz' in a cursive style.

Ceres Wicky Métroz
Board Secretary