

Deutsche Bank Reaches Settlement With Clients on Tax Shelters

By Elena Logutenkova and Christine Harper - February 8, 2007 10:55 EST

Feb. 8 (Bloomberg) -- Deutsche Bank AG, Germany's biggest bank, reached a settlement with some wealthy clients to whom it allegedly sold tax shelters, a spokesman said today.

Ted Meyer, a spokesman for the bank in New York, declined to comment on the size of the settlement. The payment may amount to at least tens of millions of dollars, the New York Times reported earlier today, without saying where it got the information.

The bank was a defendant in more than 75 legal proceedings brought by investors in various tax-oriented transactions, according to Deutsche Bank's 2005 annual report. Investors alleged that they were misled into believing that they could claim tax benefits as a result of those transactions, it said.

The settlement is separate from an ongoing investigation the bank faces by the U.S. authorities in connection with alleged assistance in development, marketing and implementation of tax shelters, which are sophisticated investments designed to minimize tax liabilities. Deutsche Bank in the fourth quarter of 2005 set aside 250 million euros (\$325 million) to cover possible costs tied to the investigation.

German lender HVB Group last year agreed to pay \$29.6 million to avoid prosecution on charges it helped accounting firm KPMG LLP sell illegal tax shelters that allowed wealthy Americans to evade more than \$500 million in taxes. Accounting firms and banks sold tax shelters to corporations and wealthy individuals, often including a supporting opinion from a law firm.

KPMG, the fourth-largest U.S. accounting firm, agreed in 2005 to pay \$456 million to avoid prosecution. The firm, which earned about \$115 million in fees from the tax shelters, said they generated at least \$11.2 billion in phony losses.

Deutsche Bank provided loans worth more than \$10 billion to KPMG clients through products that intended to generate "paper losses" that taxpayers could use to offset other income from taxation, according to an April 13, 2005, report by the Permanent Subcommittee on Investigations, part of the Senate Committee on Homeland Security and Governmental Affairs.

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