

UPDATE 3-Swiss parliament approves UBS-US tax deal

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*** Vote ends months of damaging uncertainty for bank**

- * Referendum calls dropped as key party gives way
- * Path clear for handover of 4,450 UBS client accounts to US
- * Decision seen as shot in arm for bank's wealth management
- * Shares rise 2.19 pct, outperform European banks

(Adds U.S. lawyer, business lobbyist comments; updates shares)

By Jason Rhodes

ZURICH, June 17 (Reuters) - Switzerland's parliament backed a Swiss-U.S. tax treaty crucial to the future of UBS AG (UBSN.VX: Quote, Profile, Research, Stock Buzz) (UBS.N: Quote, Profile, Research, Stock Buzz), ending months of uncertainty over the deal and paving the way for renewed recovery at the Swiss bank. [ID:nLDE65E0WP]

The two houses of parliament agreed not to stage a referendum on the issue after crisis talks on Thursday, meaning Swiss tax authorities should be able hand over on time to U.S. counterparts the accounts of 4,450 UBS clients that Switzerland's biggest bank helped to dodge taxes.

Berne and Washington cut the deal last August to end a damaging tax case against UBS, but its wealthy clients continued to leave in droves as the threat of further legal action loomed if Switzerland failed to deliver on its promises within a year.

"UBS is finally off the hook and will regain ground in its wealth management business," said Sarasin analyst Rainer Skierka.

Thursday's vote will bolster UBS Chief Executive Oswald Gruebel's attempts to steer the world's second-biggest wealth manager to safety after a government bailout in the crisis.

Client cash could stop gushing from UBS by the end of 2010, turnaround specialist Gruebel assured investors last month, as the bank booked its biggest quarterly profit since he took charge. [ID:nLDE6421E5]

The timetable for a referendum would have prevented the handover of the client accounts on time, breaking the terms of the tax treaty and risking U.S. retaliation that would have shaken clients' confidence further. [ID:nLDE62F20I]

"Parliamentary approval means that nothing now stands in the way of UBS client details being disclosed," the Swiss Justice Ministry said.

Shares in UBS traded 2.19 percent higher by 1126 GMT, outperforming a 1.48 percent rise in the Stoxx 600 European banks index .

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UBS welcomed Swiss parliamentarians' decision to back the deal.

"UBS continues to focus on its comprehensive and timely compliance with all obligations ... and is confident that this will be achieved by the relevant deadlines in August 2010," it said in a statement on Thursday.

UBS has handed over the data to Swiss tax authorities for processing, as required by the United States, but a legal loophole prevented the Swiss passing on the data.

A Swiss court in January blocked the data transfer, forcing the government to bypass that ruling with a legal patch that required parliamentary approval by both houses.

Switzerland's largest party, the right-wing Swiss People's Party (SVP), shifted position at the 11th hour, allowing the lower house to back the deal without the referendum it had urged.

Approval of the tax treaty without the uncertainties posed by a popular vote was the best outcome for UBS and Switzerland, said Bob Ray of New York law firm Pryor Cashman.

"Uncertainty in any market is the worst possible scenario," said Ray, a former U.S. assistant attorney.

Parliamentarians' backing of the treaty sent an important signal and prevented the restart of a legal battle that could have damaged the wider the Swiss economy, business lobby group economiesuisse said.

"Swiss business thanks parliament for the decision, which is in the interests of the whole nation and its economy," said economiesuisse President Gerold Buehrer. (Editing by Sam Cage and Sharon Lindores)