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**MANHATTAN U.S. ATTORNEY CHARGES SEVEN UBS CLIENTS  
WITH HIDING OVER \$100 MILLION IN SECRET  
SWISS BANK ACCOUNTS TO DEFRAUD THE IRS**

***Account Holders Hid Income And Assets From The IRS Using  
Sham Companies And Evaded Millions Of Dollars In Income Taxes***

***Two Defendants Plead Guilty To Tax Crimes  
In Manhattan Federal Court***

PREET BHARARA, the United States Attorney for the Southern District of New York, and VICTOR S. O. SONG, the Chief of the United States Internal Revenue Service ("IRS") Criminal Investigation Division, announced today the filing of charges against seven individuals who collectively hid more than \$100 million from the IRS by using sham companies to conceal their ownership of secret Swiss bank accounts held at UBS AG ("UBS").

Two of those seven defendants, JULES ROBBINS and FEDERICO HERNANDEZ, pleaded guilty to separate criminal Informations filed today in Manhattan federal court and agreed to pay civil penalties of \$20.8 million and \$4.4 million, respectively. ROBBINS pleaded guilty before United States Magistrate Judge RONALD L. ELLIS. HERNANDEZ pleaded guilty before United States District Judge DENNY CHIN.

Charges also were unsealed today against five additional defendants: KENNETH HELLER, SYBIL NANCY UPHAM, RICHARD WERDIGER, ERNEST VOGLIANO, and SHMUEL STERNFELD. UPHAM, who surrendered this morning, was presented and arraigned before Magistrate Judge ELLIS. WERDIGER, who also surrendered this

morning, is expected to be presented and arraigned before United States District Judge PAUL G. GARDEPHE at 4:00 p.m. today. VOGLIANO is expected to surrender to law enforcement authorities on April 19, 2010. STERNFELD and HELLER remain at large.

According to the charging instruments unsealed today in Manhattan federal court, statements made in connection with the guilty plea proceedings involving ROBBINS and HERNANDEZ, and other court documents:

For many years, UBS provided private banking services to U.S. taxpayers as part of its "U.S. cross-border banking business," which employed approximately 60 UBS employees based in Switzerland. From at least 2000 to 2008, UBS, through these employees, helped U.S. taxpayers conceal their Swiss-based assets, and the income earned on those assets, from the IRS. UBS and the U.S. taxpayers, assisted by independent Swiss attorneys and financial advisors, hid these assets from the IRS by listing sham offshore companies as the account holders of UBS accounts, when in fact the U.S. taxpayers actually owned and controlled the accounts.

Four of the defendants -- UPHAM, HELLER, VOGLIANO, and STERNFELD -- removed their assets from UBS shortly after the publication of media reports in May 2008 that the Government's criminal investigation of UBS might result in the disclosure of their unreported accounts to the United States Department of Justice. Specifically to avoid this result, these defendants moved tens of millions of dollar collectively from UBS to smaller, lower-profile Swiss and Liechtenstein banks, hand-picked because they, unlike UBS, did not have offices in the United States.

Two of the defendants -- UPHAM and VOGLIANO -- repatriated funds from their UBS bank accounts to the United States by traveling or having a close family member travel from New York to UBS's offices in Zurich, Switzerland, to pick up hundreds of thousands of dollars in cash or travelers checks and then return to the United States.

Under federal law, when filing Individual Income Tax Returns, Form 1040, U.S. taxpayers are obligated to report their worldwide income. Additionally, taxpayers who have a financial interest in, or signature or other authority over, a financial account in a foreign country with an aggregate value of more than \$10,000 at any time during a particular year are required to file with the IRS a Report of Foreign Bank and Financial Accounts ("FBAR"), as indicated on Schedule B of Form 1040.

The defendants are variously charged with conspiracy crimes, criminal tax offenses, and/or willful failure to file FBARs. The cases against each of the seven defendants are outlined below.

According to the charging documents filed in Manhattan federal court:

**United States v. Jules Robbins**

JULES ROBBINS, who owned and operated companies that distributed watches, hid money at UBS starting in 1967. In 2000, ROBBINS used the services of a U.S.-educated Swiss attorney to set up a sham Hong Kong corporation which was listed as the holder of his account and to serve as the nominal head of the corporation. ROBBINS' Swiss attorney received all of the correspondence relating to the account at his law firm in Switzerland. While UBS internal documents specified that ROBBINS wanted to be "100% in charge" of investment decisions concerning his UBS accounts, ROBBINS took numerous steps to conceal his interest in these accounts. As of December 31, 2007, ROBBINS' UBS accounts collectively contained almost \$42 million.

ROBBINS, of Jericho, New York, pleaded guilty earlier today before Magistrate Judge ELLIS to five counts of subscribing to false federal income tax returns, which each carry a maximum penalty of 3 years in prison. As part of his plea agreement with the Government, ROBBINS also agreed to pay a civil FBAR penalty of \$20.8 million, an amount equal to 50 percent of the highest value of his UBS accounts as of December 31 for the years in which he failed to file FBARs.

ROBBINS' sentencing is scheduled for July 16, 2010, at 2 p.m. before United States District Judge RICHARD J. HOLWELL.

**United States v. Federico Hernandez**

In 2001 and 2006, FEDERICO HERNANDEZ opened UBS accounts in the names of sham British Virgin Islands and Panama corporations, respectively, to hide his ownership of the accounts from the IRS. To further conceal his ownership, HERNANDEZ instructed UBS to retain all mail relating to the accounts at UBS in Switzerland. In addition, HERNANDEZ signed a false IRS form and UBS's equivalent forms stating that his sham corporations were the true owners of his accounts, when, as HERNANDEZ well knew, HERNANDEZ was the sole beneficial owner of the accounts. HERNANDEZ regularly exercised control over his UBS accounts by directing his UBS private bankers to execute trades and transfer

funds to United States bank accounts. As of December 31, 2006, HERNANDEZ's two UBS accounts collectively held nearly \$8.8 million.

HERNANDEZ, of New York, New York, pleaded guilty before Judge CHIN to five counts of subscribing to false federal income tax returns, which each carry a maximum penalty of 3 years in prison. As part of his plea agreement with the Government, HERNANDEZ also agreed to pay a civil FBAR penalty of \$4.4 million, an amount equal to 50 percent of the highest value of his UBS accounts as of December 31 for the years in which he failed to file FBARs.

HERNANDEZ's sentencing is scheduled for July 15, 2010, at 10 a.m. before Judge CHIN.

**United States v. Kenneth Heller, 10 Mag. 792**

KENNETH HELLER is a disbarred Manhattan maritime attorney who in 2006 opened a UBS account in the name of a sham offshore corporation and deposited \$26.4 million into the account. Though he controlled the trading in the account, HELLER did not appear as the account holder on UBS account documents.

On June 8, 2008, HELLER saw an article published by a major news organization based in New York, New York, raising the possibility that UBS might disclose information about its Swiss-based account holders to the U.S. Government. Later that day, HELLER faxed this news article to his UBS private banker in Switzerland. Shortly thereafter, HELLER moved his funds to a smaller private bank in Switzerland that did not have offices in the United States. Through HELLER's concealment of the income earned in his UBS account, he evaded more than \$2.3 million in federal income taxes.

HELLER, of New York, New York, is charged in a criminal Complaint with one count of tax evasion, which carries a maximum penalty of five years in prison, and one count of willful failure to file an FBAR, which carries a maximum penalty of five years in prison.

**United States v. Sybil Nancy Upham, 10 Cr. 326 (AKH)**

In 1993, SYBIL NANCY UPHAM opened a UBS account under the name of a sham Liechtenstein foundation. In 2000, UPHAM signed a UBS document instructing UBS that she "would like to avoid disclosure of my identity to the US Internal Revenue Service under the new tax regulations." In 2005, UPHAM, working

with an independent Swiss financial advisor, opened a second UBS account, this time in the name of sham Hong Kong corporation. To conceal her ownership of this second account, UPHAM asked her financial advisor to act as a nominee director of the corporation, and instructed UBS to send all mail relating to the account to the financial advisor, rather than to her home in New York. By 2007, UPHAM's UBS accounts contained approximately \$11.3 million.

In May 2008, news broke of the U.S. Government's criminal investigation of UBS's U.S. cross-border business. That month, a grand jury sitting in the Southern District of Florida returned an indictment against two Swiss-based individuals who helped U.S. taxpayers evade tax through the use of UBS accounts.

Shortly thereafter, in early June 2008, UPHAM began to move her funds from UBS to a smaller Liechtenstein bank that did not have offices in the United States. From June 2008 through March 2009, UPHAM moved over \$8.5 million from UBS to the Liechtenstein bank. From 2004 to 2007, UPHAM filed tax returns falsely concealing her Swiss accounts and the income derived from them, thereby evading at least approximately \$750,000 in federal income taxes.

UPHAM, of New York, New York, is charged with one count of conspiring to defraud the IRS, which carries a maximum penalty of 5 years in prison; three counts of subscribing to false federal income tax returns, each of which carries a maximum penalty of 3 years in prison; and four counts of willful failure to file an FBAR, each of which carries a maximum penalty of 5 years in prison.

**United States v. Richard Werdiger, 10 Cr. 325 (PGG)**

From 1986 to 2000, RICHARD WERDIGER opened three separate UBS accounts under the name of sham foundations and corporations formed in Liechtenstein and Panama. To further conceal his ownership of these accounts, WERDIGER instructed UBS to permit him to communicate with the bank using the code name "Trygon," rather than his real name. As of December 31, 2003, Werdiger's UBS accounts collectively contained over \$7 million.

WERDIGER failed to report the income earned in these accounts on his tax returns, and concealed his ownership of the accounts on his federal income tax filings. In addition, although WERDIGER filed FBARs for bank accounts that he held in 2004 in 2005, he falsely omitted from those FBARs his interest in the UBS accounts.

WERDIGER, of Purchase, New York, is charged with one count of conspiring to defraud the IRS, which carries a maximum penalty of 5 years in prison; five counts of subscribing to false federal income tax returns, each of which carries a maximum penalty of 3 years in prison; two counts of willful failure to file an FBAR, each of which carries a maximum penalty of 5 years in prison; and two counts of filing a false FBAR, each of which carries a maximum penalty of 5 years in prison.

**United States v. Ernest Vogliano, 10 Cr. 327 (TPG)**

In 2000 and 2002, ERNEST VOGLIANO opened UBS accounts in the name of Liechtenstein and Hong Kong shell corporations. As of December 31, 2000, he held approximately \$4.9 million at UBS in Switzerland.

In June 2008, following the widespread publication of news reports concerning the Government's criminal investigation of UBS's U.S. cross-border banking business, VOGLIANO transferred his funds from UBS to a Liechtenstein bank that did not have offices in the United States. In addition, VOGLIANO regularly traveled from the United States to UBS's offices in Zurich, where he obtained hundreds of thousands of dollars in travelers checks, on at least one occasion mailing the checks in separate envelopes to himself in New York, New York, to evade detection by U.S. law enforcement authorities. VOGLIANO failed to report the income earned in these accounts on his tax returns, concealed his ownership of the accounts on his federal income tax filings, and failed to file FBARs relating to the accounts.

VOGLIANO, of Manhattan, New York, is charged with one count of conspiring to defraud the IRS, which carries a maximum penalty of 5 years in prison; five counts of subscribing to false federal income tax returns, each of which carries a maximum penalty of 3 years in prison; and four counts of willful failure to file an FBAR, each of which carries a maximum penalty of 5 years in prison.

**United States v. Shmuel Sternfeld, 10 Cr. 328 (MGC)**

In 2004, SHMUEL STERNFELD opened a UBS account in the name of a Hong Kong shell corporation. Between approximately June 2004 and June 2008, STERNFELD transferred hundreds of thousands of dollars from his UBS account to a bank account that he held in the Czech Republic. In addition, STERNFELD transferred money from his UBS account to make a down payment on a Florida condominium. At the end of 2005, STERNFELD's account at UBS held nearly \$2.9 million. In mid-2008, after the

Government's investigation of UBS's cross-border business became widely publicized, STERNFELD transferred the assets in his UBS account to a smaller Swiss bank that did not have offices in the United States.

STERNFELD, of Tel Aviv, Israel, is charged with one count of conspiring to defraud the IRS, which carries a maximum penalty of 5 years in prison; one count of subscribing to a false federal income tax return, which carries a maximum penalty of 3 years in prison; and five counts of willful failure to file an FBAR, each of which carries a maximum penalty of 5 years in prison. STERNFELD remains at large.

In addition to the criminal penalties specified above, those defendants charged with willful failure to file FBARs may be subject to a civil penalty of up to 50 percent of the value of the accounts for each year the accounts were not disclosed.

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In February 2009, UBS entered into a deferred prosecution agreement with the United States, pursuant to which the bank admitted to helping U.S. taxpayers hide accounts from the IRS. As part of this agreement, UBS provided the United States Government with the identities of, and account information for, certain United States customers of UBS's U.S. cross-border banking business.

For decades, the IRS has had a voluntary disclosure program (the "VDP") in which individual taxpayers with previously undisclosed income can contact the IRS, resolve their tax matters, and significantly reduce their risk of criminal tax prosecution. In March 2009, IRS Commissioner DOUGLAS SHULMAN announced, as part of the VDP, a reduced 20 percent FBAR penalty (as compared to the usual 50 percent penalty described above) for U.S. taxpayers who reported undisclosed offshore bank accounts to the IRS. In September 2009, the opportunity for the reduced FBAR penalty was extended through October 15, 2009. Under long-established IRS practice, U.S. taxpayers were not eligible for any form of voluntary disclosure (with or without the reduced FBAR penalty) if, at the time they applied for the VDP, they were already under criminal or civil investigation or the IRS already had information from a third party (such as UBS) alerting the IRS to the taxpayer's possible tax violations. The reduced penalty phase has expired, but the VDP remains in effect.

Mr. BHARARA thanked the IRS for its outstanding work in the investigation of the cases announced today. Mr. BHARARA also

thanked the New York County District Attorney's Office, which is conducting a parallel investigation of New York State tax evasion by UBS customers, and the U.S. Department of Justice's Tax Division for their significant assistance. He added that the investigation is continuing.

"The rich are not different," said U.S. Attorney PREET BHARARA. "Multimillionaires with secret Swiss bank accounts have to pay their taxes just like everyone else. It is that simple. On a day when millions of Americans fulfill their obligation to file truthful returns, we make clear that serious tax cheats will suffer serious consequences."

"These legal actions signal a victory for America's taxpayers who play by the rules," said IRS Criminal Investigation Chief VICTOR S. O. SONG. "Today is the deadline to file a U.S. tax return, and those Americans who file accurate, honest and timely returns can be assured that the Government will hold accountable those who don't. For those still hiding in this shadowy world of secret offshore accounts, it is time to come in and get right with your government or face stiff criminal and financial penalties."

The prosecution of these cases is being overseen by the Office's Complex Frauds Unit. The prosecutions are being handled by Assistant United States Attorneys DAVID B. MASSEY, DANIEL W. LEVY, E. DANYA PERRY, STANLEY OKULA, THOMAS G.A. BROWN, and LEE RENZIN.

The charges contained in the various charging instruments discussed above are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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