



EX-MIZRAHI BANKER SAID TO BE INDICTED IN U.S. TAX FRAUD CASE

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Former Mizrahi Tefahot Bank Ltd. (MZTF) senior vice president Shokrollah Baravarian was indicted for helping U.S. customers conceal their assets from the Internal Revenue Service through undeclared accounts, two people familiar with the matter said.

Baravarian of Beverly Hills, California, was an employee of the Israeli bank, said the people, who asked not to be named because the bank wasn't identified by prosecutors. The bank wasn't named as a defendant in the indictment filed yesterday in federal court in Los Angeles, which referred to "Bank A."

"This charge results from an ongoing and extensive investigation into the use of undeclared bank accounts in Israel, and demonstrates the department's determination to find and prosecute those who help U.S. taxpayers evade taxes through offshore accounts located anywhere in the world," Deputy Attorney General James M. Cole said in a statement.

Prosecutors have charged more than 70 U.S. taxpayers and three dozen offshore bankers, lawyers and advisers with tax crimes since 2009. More than 43,000 taxpayers avoided prosecution by paying back taxes, fines and penalties and telling the IRS about the offshore banks and enablers who helped them.

Back-to-Back Loans

Baravarian is accused in the indictment of soliciting U.S. customers of the Tel Aviv-based bank to open secret, undeclared accounts in Israel and at its Cayman Islands branch, using pseudonyms and code names. The customers accessed their money through so-called back-to-back loans from the Los Angeles branch using the offshore funds as collateral.

Marc Harris, Baravarian's lawyer, said in a phone interview that the charges are without merit.

"We're shocked by these charges," Harris said.

The Justice Department's Tax Division violated its policy by not giving Baravarian an opportunity to discuss the allegations before filing the charges, Harris said.

Baravarian is charged with one count of conspiracy to defraud the U.S. and, if convicted, faces as long as five years in prison and a maximum fine of \$250,000, prosecutors said.

Baravarian hasn't been arrested and no surrender date has been scheduled, said Thom Mrozek, a spokesman for the U.S. Attorney's office in Los Angeles.

Representatives of Mizrahi's Los Angeles branch didn't immediately respond to an e-mail after regular business hours yesterday seeking comment on the indictment.

Bank Leumi

Dozens of U.S. citizens who used offshore accounts to avoid taxes have helped the federal government in a criminal investigation of Mizrahi and another Israeli bank, Bank Leumi Le-Israel Ltd. (LUMI), people familiar with the matter said last year.

Zvi Sperling, a Los Angeles businessman born in Israel who took such back-to-back loans from both Tel Aviv banks, was the first person charged by the Justice Department. Sperling agreed to admit he conspired with Leumi and Mizrahi bankers, according to his plea agreement, which referred to Bank A and Bank B, according to the people.

The indictment yesterday lists six U.S. customers only identified by their initials, including one identified as Z.S. Baravarian helped those customers set up secret bank accounts in Israel and the Cayman Islands as far back as the late 1980s and they later used back-to-back loans from the Los Angeles branch to access their money, prosecutors said.

Two other customers of Baravarian, identified only by their initials in the indictment, are Guity Kashfi, a Los Angeles businesswoman, and Aaron Cohen, of Encino, California, who have pleaded guilty to using secret accounts at Bank Leumi and Mizrahi to dodge U.S. taxes, according to one of the people familiar with the matter.

The case is U.S. v. Baravarian, 14-cr-00248, U.S. District Court, Central District of California (Los Angeles).

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