



FOR IMMEDIATE RELEASE
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*United States Attorney
Southern District of New York*

UPDATE:

On February 12, 2012, an appellate court vacated three of Mahmoud Reza Banki's four convictions. On January 19, 2021, he received a presidential pardon for the fourth conviction.
The original press release is found below.

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**FORMER MANAGEMENT CONSULTANT SENTENCED IN MANHATTAN
FEDERAL COURT TO 30 MONTHS IN PRISON FOR CRIMINAL
VIOLATIONS OF IRAN TRADE EMBARGO, UNLICENSED MONEY
TRANSMITTING, AND FALSE STATEMENTS**

PREET BHARARA, the United States Attorney for the Southern District of New York, and JAMES T. HAYES, JR., the Special Agent-in-Charge of U.S. Immigration and Customs Enforcement ("ICE") Office of Homeland Security Investigations ("HSI") in New York, announced that MAHMOUD REZA BANKI was sentenced in Manhattan federal court to 30 months in prison for violating the Iran Trade Embargo, operating an unlicensed money transfer business between the United States and Iran, conspiracy, and false statements. BANKI was found guilty following a three-week jury trial before U.S. District Judge JOHN F. KEENAN, who also imposed the sentence on BANKI. The Manhattan jury also found BANKI's hawala account subject to forfeiture.

According to the Indictment, evidence at trial, and statements made at the sentencing proceeding:

The Iran Trade Embargo, begun by Executive Order in 1995, prohibits U.S. citizens from supplying goods, services, or technology to Iran or the government of Iran. Restricted services include money transmitting services. The Embargo also prohibits any transaction by any United States person or within the United States that evades or avoids, or has the purpose of evading or avoiding, any prohibition set forth in the Embargo. The International Emergency Economic Powers Act ("IEEPA") imposes criminal sanctions for violations of the Iran Trade Embargo.

From January 2006 to September 2009, BANKI, a U.S. citizen and resident of Manhattan, New York, provided money transmitting services to residents of Iran by participating in the operation of a "hawala," a type of informal value transfer system in which money does not physically cross international boundaries through the banking system. In the hawala system,

funds are transferred by customers to a hawala operator -- also known as a "hawaladar" -- or his agent in one country, and corresponding funds are disbursed to recipients in another country by hawaladar associates on that end.

BANKI used the hawala network to receive wire transfers totaling approximately \$3.4 million from companies and individuals -- located in, among other places, Saudi Arabia, Kuwait, Latvia, Slovenia, Russia, Sweden, the Philippines, and the United States -- into a personal bank account he maintained for this purpose at Bank of America in Manhattan.

The transfers into BANKI's account were arranged by BANKI's father, MAHMOUD BANKI, a dual U.S.-Iranian citizen residing in Iran, and associated hawala operators in Tehran, in an attempt to move funds from a family business -- an Iranian pharmaceutical company called Kosar -- out of Iran and invest them in the United States. To accomplish this, BANKI's father paid the Tehran-based hawala operator millions of dollars in Iranian currency, and the hawala operator would arrange to have corresponding amounts of U.S. dollars -- which were already in the United States or in bank accounts abroad -- deposited into BANKI's Bank of America account by wire transfer or check. The owners of the dollars deposited into BANKI's account were dozens of companies and individuals in the U.S. and abroad who wanted to transfer funds to Iran, something restricted by the Iran Trade Embargo.

BANKI facilitated these illegal transfers by accepting funds into his Bank of America account and then notifying his father or one of the Tehran-based hawala operators, so that a corresponding amount of Iranian currency, called Tomans or Rials, could be disbursed in Iran. The hawaladars profited by manipulating the dollar/Toman exchange rate to their benefit, and BANKI benefitted by using the millions of dollars he received into his Bank of America account to purchase real estate and securities, and to pay hundreds of thousands of dollars toward personal expenses.

In 2008, the Office of Foreign Assets Control ("OFAC"), the Department of Treasury agency responsible for enforcing the Iran Trade Embargo, served BANKI with two administrative subpoenas demanding information concerning the transactions in his Bank of America account. Each subpoena warned BANKI that a false response could subject him to criminal penalties.

In response to the subpoenas, BANKI replied with letters falsely stating that a cousin who was an Iranian citizen,

and not his father, was involved with him in arranging the transfers into the Bank of America account. BANKI also falsely denied that he had facilitated any payments of funds involving Iran. These lies were significant in part because while BANKI's father was a U.S. citizen subject to OFAC subpoena authority, the Iranian cousin was not.

BANKI was found guilty on June 4, 2010, of one count of conspiracy to violate IEEPA and to operate an unlicensed money transmitting business; one substantive count of violating IEEPA; one substantive count of operating an unlicensed money transmitting business; and two counts of making false statements to a Federal agency. In response to a special verdict form, the jury found that BANKI was an aider and abettor with respect to the substantive IEEPA and unlicensed money transmitting counts.

Judge KEENAN ordered Banki to forfeit \$3,314,047, which represents the sum of money involved in the offenses and the proceeds derived therefrom. The jury that convicted Banki unanimously found that a Bank of America account controlled by Banki was forfeitable to the United States and that other accounts were not forfeitable. Finally, the jury was unable to come to a unanimous verdict with respect to two bank accounts and a condominium in lower Manhattan, so those assets will be presented to a new jury which will decide whether they are forfeitable.

In addition to his 30-month prison term, Judge KEENAN sentenced BANKI, 34, to three years of supervised release.

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Manhattan U.S. Attorney PREET BHARARA stated: "Trade sanction laws exist to prevent money from falling into dangerous hands. Mahmoud Reza Banki defied the Iran Trade Embargo and profited from a network that sent millions of illicit dollars to a country that has been deemed a threat to our national security. Today's sentence sends the clear message that we will continue to work with our law enforcement partners at the ICE Office of Homeland Security Investigations to strictly enforce U.S. trade sanctions."

Mr. BHARARA praised the work of the ICE Office of Homeland Security Investigations and OFAC in conducting the investigation. He also thanked Bank of America and McKinsey and Company for their cooperation.

This case is being handled by the Office's Complex Frauds Unit and Asset Forfeiture Unit. Assistant U.S. Attorneys E. DANYA PERRY, ANIRUDH BANSAL, and JASON HERNANDEZ are in charge of the prosecution.

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