



UNITED STATES ATTORNEY'S OFFICE
Southern District of New York

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DIAMOND MERCHANT SENTENCED IN MANHATTAN FEDERAL COURT TO ONE YEAR AND ONE DAY IN PRISON FOR CONSPIRING TO HIDE \$7.1 MILLION IN SWISS BANK ACCOUNTS AND EVADE NEARLY \$400,000 IN TAXES

Preet Bharara, the United States Attorney for the Southern District of New York, announced that RICHARD WERDIGER, a former client of Swiss bank UBS AG (“UBS”), was sentenced today to one year and one day in prison for conspiring to defraud the Internal Revenue Service (“IRS”) by hiding more than \$7.1 million at UBS, filing false federal income tax returns, and evading nearly \$400,000 of taxes. WERDIGER pled guilty in March, 2011, and agreed to pay a civil penalty of more than \$3.8 million for his failure to report his overseas accounts to the IRS. He was sentenced in Manhattan federal court by U.S. District Judge Paul G. Gardephe.

Manhattan U.S. Attorney Bharara said: “For over two decades, Richard Werdiger engaged in an elaborate subterfuge to avoid paying his fair share of taxes to the U.S. Government. As his case shows, along with the many others we are prosecuting against those who use offshore accounts to hide their income and assets, we will find tax cheats of all stripes and they will be punished.”

According to the Indictment and other documents filed in Manhattan federal court and statements made in connection with WERDIGER’s guilty plea and sentencing:

From 1986 to 1988, WERDIGER opened multiple separate accounts at UBS under the name of sham Liechtenstein-based foundations in order to evade taxes on money that he had inherited from his father. To further conceal his ownership of these accounts, WERDIGER instructed UBS to permit him to communicate with the bank using the code name “Trygon.” In late 2000, WERDIGER opened up yet another account at UBS in the name of a sham Panamanian corporation. This allowed him to continue to invest in U.S. securities without having UBS notify the IRS of his identity or withhold taxes on income arising out of his holding U.S. securities. During the conspiracy, WERDIGER used the funds hidden offshore to satisfy various business obligations, such as paying off business debts incurred by his companies, Michael Werdiger Inc. and Eloquence Corporation, which sell diamonds and other jewelry.

As of December 31, 2004, the accounts at UBS over which WERDIGER had signature authority collectively contained more than \$7.1 million. As part of the conspiracy to which he pled guilty, 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. From 2000 to

2008, WERDIGER's UBS accounts earned more than \$1.3 million in income for which \$400,000 in taxes should have been paid.

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In addition to his prison term, WERDIGER, 64, of Purchase, New York, was sentenced by Judge Gardephe to one year of supervised release. WERDIGER was fined \$50,000 and ordered to pay a \$600 special assessment. Restitution will be determined at later date. WERDIGER also paid a civil penalty of \$3,844,129 for his failure to report the existence of his UBS accounts to the IRS as required.

The charges against WERDIGER arose out of the ongoing investigation into U.S. taxpayer clients of UBS and other overseas banks who conspired to hide the accounts from the IRS. In addition to WERDIGER, the investigation resulted in charges against seven other defendants for similar conduct: Federico Hernandez, Jules Robbins, Sybil Nancy Upham, Ernest Vogliano, Kenneth Heller, Samuel Phineas Upham and Shmuel Sternfeld. All defendants have pled guilty except Samuel Phineas Upham and Sternfeld, whose cases are pending. Charges against these two defendants are merely accusations and they are presumed innocent unless and until proven guilty.

Mr. Bharara praised the work of the IRS, which conducted the investigation. He also thanked the U.S. Department of Justice's Tax Division for its significant assistance.

This case is being handled by the Office's Complex Frauds Unit. Assistant U.S. Attorney Daniel W. Levy is in charge of the prosecution.

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