



***United States Attorney
Southern District of New York***

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**MANHATTAN U.S. ATTORNEY CHARGES
COLORADO MAN AS ACCOMPLICE OF HASSAN NEMAZEE
IN BANK FRAUD PONZI SCHEME**

PREET BHARARA, the United States Attorney for the Southern District of New York, and JOSEPH M. DEMAREST, JR., the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced the arrest today of SHAHIN KASHANCHI in connection with a scheme to defraud Citibank, N.A. ("Citibank") and HSBC Bank USA, N.A. ("HSBC"). According to the Complaint filed in Manhattan federal court and other documents:

KASHANCHI is the brother-in-law of HASSAN NEMAZEE, who was arrested on August 25, 2009, and subsequently indicted for defrauding Citibank, HSBC, and Bank of America, N.A., of more than \$290 million in loan proceeds. NEMAZEE's scheme depended on his use of fraudulent documents, including phony account statements and phony correspondence bearing forged signatures. These fraudulent documents were designed, in substance and in part, to convince the various banks to whom he submitted the documents that NEMAZEE had assets totaling hundreds of millions of dollars and that he had placed many millions of dollars of United States Treasury securities in certain specified accounts as collateral for the loans from the various banks.

In fact, neither those collateral accounts nor the hundreds of millions of dollars in claimed assets existed. As alleged in the Nemazee Indictment, NEMAZEE made partial repayments on his borrowings from Bank of America with proceeds of his fraud on Citibank, made partial repayment on his borrowing

from Citibank with proceeds of his fraud on Bank of America, and repaid Citibank \$74.9 million with proceeds of his fraud on HSBC.

Many of the fraudulent documents submitted by NEMAZEE to Citibank and HSBC were created by SHAHIN KASHANCHI, in consultation with NEMAZEE. Indeed, based on e-mail traffic between KASHANCHI and NEMAZEE summarized in the Complaint, KASHANCHI was regularly producing what KASHANCHI referred to as the "normal quarterly statements" for one of the non-existent collateral accounts, among other things. KASHANCHI would simply create phony account statements designed to look like real account statements, but bearing account numbers for accounts that did not exist and reflecting balances that purported to establish NEMAZEE's great wealth.

For example, on April 15, 2009, KASHANCHI sent by e-mail to NEMAZEE a fake account statement for a non-existent account, reflecting that the account held \$621,914,043 worth of United States Treasury securities and cash in the amount of \$3,976,543. NEMAZEE in turn submitted this account statement to Citibank.

Similarly, in connection with NEMAZEE's efforts to obtain money from HSBC, on July 21, 2009, KASHANCHI sent NEMAZEE an e-mail in which KASHANCHI stated that he was sending "the new HN [Hassan Nemazee] Collateral + HSBC account." Attached to that e-mail was a fake account statement for an account which NEMAZEE had represented to HSBC held over \$125 million in United States Treasury securities that had been pledged as collateral for the line of credit from HSBC. The phony account statement bore the indication "Hassan Nemazee Collateral + HSBC," and KASHANCHI's file-name for the phony account statement was "Hassan's Statement Collateral + HSBC 200908."

KASCHANCHI also assisted NEMAZEE in NEMAZEE's submission of fraudulent correspondence to banks. For example, on August 11, 2009, representatives of Citibank told NEMAZEE that he needed to produce written verification of his collateral for the Citibank loans, which collateral was purportedly being held in an account at Pershing LLC. The Citibank representatives specified that the verification would have to be "an original letter on Pershing stationary [sic] signed by an authorized representative of Pershing." On August 13, NEMAZEE and KASCHANCHI exchanged e-mails arranging to talk the next day. On August 14, KASCHANCHI sent NEMAZEE an e-mail in which KASHANCHI stated in part: "Here is a try. Looks good from my end. . . . Compare it to an original if you have it." Attached to that e-mail was a piece of fake Pershing letterhead stationery, listing

as Pershing's address and telephone number an address and telephone number associated with a Manhattan-based "virtual office" that NEMAZEE himself had established and bearing the name of an actual Pershing LLC employee. As a result, in the event anyone made an effort to contact that Pershing representative, they would in fact be contacting a telephone number assigned to NEMAZEE himself, and not any financial institution. Later that same day, KASCHANCHI sent NEMAZEE two different versions of the same phony stationery.

On August 19, 2009, a representative of Citibank received a letter, on the phony letterhead stationery, purportedly signed by the Pershing LLC employee and verifying that NEMAZEE's collateral account had "U.S. Treasury Securities totaling \$85,853,751.00 as of 8/17/09 that are held in custody by Pershing LLC as collateral for the benefit of Citibank." In reality, there was no such account, there was no such collateral, and the signature was a forgery.

KASAHANCHI, 46, currently resides in Telluride, Colorado. He is charged with two counts of bank fraud, each of which carries a maximum prison term of 30 years and a maximum fine of \$1,000,000 or twice the gain or loss resulting from the crime.

KASHANCHI is expected to be presented later today in federal court in Grand Junction, Colorado, before United States Magistrate Judge GUDRUN RICE.

Mr. BHARARA praised the investigative work of the FBI. Mr. BHARARA said that the investigation is continuing.

Assistant United States Attorneys JOHN M. HILLEBRECHT and DANIEL W. LEVY are in charge of the prosecution.

The charge and allegations contained in the Complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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