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**FINANCIAL ADVISER SENTENCED IN MANHATTAN FEDERAL COURT
TO 12 MONTHS' IMPRISONMENT FOR HIDING \$8.8 MILLION
IN SWISS BANK ACCOUNTS**

PREET BHARARA, the United States Attorney for the Southern District of New York, and CHARLES R. PINE, the Special-Agent-in-Charge of the New York Field Office of the Internal Revenue Service ("IRS"), Criminal Investigation Division, announced that FEDERICO HERNANDEZ, a Manhattan-based financial adviser, was sentenced today to twelve months' imprisonment for hiding \$8.8 million from the IRS by using sham companies to conceal his ownership of secret Swiss bank accounts held at UBS AG ("UBS"). HERNANDEZ was one of seven U.S. taxpayers charged on April 15, 2010, with filing false tax returns and related crimes for hiding Swiss bank accounts from the IRS. HERNANDEZ pled guilty that same day to filing five false tax returns. In addition to the sentence of imprisonment, U.S. District Judge DENNY CHIN imposed a sentence of six months' home confinement. HERNANDEZ also agreed to pay a civil penalty of \$4.4 million. The sentence imposed on HERNANDEZ is the longest term of imprisonment to date for hiding a UBS bank account from the IRS.

According to the Information to which HERNANDEZ pled guilty, other documents filed in Manhattan federal court, and statements made in court:

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.

From at least 2000 to 2008, UBS helped U.S. taxpayers conceal their Swiss-based accounts, and the income earned in those accounts, from the IRS. UBS and the U.S. taxpayers, assisted by independent Swiss attorneys and financial advisers, 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. 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 U.S. Government with the identities of, and account information for, certain U.S. customers of UBS's U.S. cross-border banking business.

In 2001 and again in 2006, HERNANDEZ opened UBS accounts in the names of sham British Virgin Islands and Panama corporations 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, under penalties of perjury, several tax-related forms from either the IRS or UBS stating that his sham corporations were the true owners of his accounts, when, in fact, 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 U.S. bank accounts. HERNANDEZ filed false tax returns from 2001 to 2008 that failed to report income earned in his UBS accounts, and in 2007 and 2008, he affirmatively reported to the IRS on his tax returns that he did not have an overseas bank account, when he knew that he did. As of December 31, 2006, HERNANDEZ's two UBS accounts collectively held \$8.8 million. Amended tax returns that HERNANDEZ has filed as requirement of his plea agreement with the Government show that HERNANDEZ failed to report a total of \$1.4 million in income from 2004 through 2008, resulting in over \$510,000 in unpaid taxes.

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HERNANDEZ, 44, of New York, New York, pled guilty on April 15, 2010, 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.

Mr. BHARARA praised the work of the IRS, and thanked the U.S. Department of Justice's Tax Division and the New York County District Attorney's Office for their significant assistance. He added that the Department of Justice's investigation of U.S. taxpayers with unreported offshore bank accounts is continuing.

Manhattan U.S. Attorney PREET BHARARA stated: "Federico Hernandez disregarded his tax obligations for years, choosing instead to hide millions of dollars from the IRS through accounts at UBS. The sentence imposed today sends an important message that anyone who seeks to conceal assets abroad will be caught and punished to the full extent possible under the law."

"Today, Mr. Hernandez has been held accountable for lying to the IRS by failing to report his UBS accounts on his individual tax returns," said CHARLES R. PINE, IRS Special-Agent-in-Charge. "IRS has stepped up its efforts in the international tax arena. Those individuals who have not reported income hidden in offshore bank accounts should immediately come in through our voluntary disclosure program and get right with your government or face stiff criminal and financial penalties."

This case is being handled by the Office's Complex Frauds Unit. Assistant U.S. Attorney DAVID B. MASSEY is in charge of the prosecution.

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