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1 DAVID A. HUBBERT  
2 Deputy Assistant Attorney General  
3 Tax Division, United States Department of Justice  
4 CHRISTOPHER S. STRAUSS  
5 Trial Attorney (LA Bar No. 28770)  
6 ELLEN M. QUATTRUCCI  
7 Trial Attorney (DC Bar No. 462103)  
8 DENNIS R. KIHM  
9 Trial Attorney (TX Bar No. 24066929)  
10 Tax Division, Western Criminal Enforcement Section  
11 United States Department of Justice

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601 D St. NW, Room 7022  
Washington, D.C. 20004  
Telephone: (202) 514-5762  
Facsimile: (202) 514-9623  
E-mail: Christopher.S.Strauss@usdoj.gov  
Ellen.M.Quattrucci@usdoj.gov

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CENTRAL DISTRICT OF CALIFORNIA  
DEPUTY

11 STEPHANIE YONEKURA  
12 Acting United States Attorney  
13 SANDRA R. BROWN  
14 Assistant United States Attorney  
15 Chief, Tax Division  
16 300 North Los Angeles Street  
17 Los Angeles, California 90012  
18 Telephone: (213) 894-5810  
19 Facsimile: (213) 894-0115  
20 E-mail: Sandra.Brown@usdoj.gov

21 Attorneys for Plaintiff  
22 UNITED STATES OF AMERICA

23 UNITED STATES DISTRICT COURT  
24 FOR THE CENTRAL DISTRICT OF CALIFORNIA

25 UNITED STATES OF AMERICA,  
26 Plaintiff,  
27 v.

28 BANK LEUMI LE-ISRAEL B.M.,  
THE BANK LEUMI LE-ISRAEL TRUST  
COMPANY LTD.,  
BANK LEUMI (LUXEMBOURG) S.A.,  
LEUMI PRIVATE BANK S.A., and  
BANK LEUMI USA,  
Defendants.

No. CR 14-0731  
DEFERRED PROSECUTION AGREEMENT

1 The United States Department of Justice, Tax Division,  
2 Criminal Enforcement, by and through David A. Hubbert, Deputy  
3 Assistant Attorney General, Tax Division, U.S. Department of  
4 Justice; Christopher S. Strauss and Ellen M. Quattrucci, Trial  
5 Attorneys, Tax Division, United States Department of Justice;  
6 and the United States Attorney's Office for the Central District  
7 of California, by and through Stephanie Yonekura, Acting United  
8 States Attorney and Sandra R. Brown, Assistant United States  
9 Attorney (collectively, the "Government") and the defendants  
10 Bank Leumi le-Israel B.M. ("Bank Leumi-Israel"); The Bank Leumi-  
11 le Israel Trust Company Ltd. (the "Bank Leumi Trust"); Bank  
12 Leumi (Luxembourg) S.A. ("Bank Leumi-Luxembourg"); Leumi Private  
13 Bank S.A., also referred to herein as "Bank Leumi-Switzerland";  
14 and Bank Leumi USA (collectively, the "Bank Leumi Group  
15 Entities"), by the Deputy Chief Executive Officer of Bank Leumi-  
16 Israel and undersigned attorneys pursuant to the authority  
17 granted by the Bank Leumi Group Entities' Boards of Directors in  
18 the form of a Board Resolution, as described in paragraph 47,  
19 attached hereto as Exhibit A, hereby enter into this Deferred  
20 Prosecution Agreement (the "Agreement"). This Agreement does not  
21 apply to any individual or entity other than the Bank Leumi  
22 Group Entities as set forth herein.

#### 23 THE CRIMINAL INFORMATION

24 1. The Bank Leumi Group Entities will waive indictment  
25 and consent to the filing of a one-count Information (the  
26 "Information") in the United States District Court for the  
27 Central District of California, Western Division (the "Court")  
28 charging the Bank Leumi Group Entities with unlawfully,

1 voluntarily, intentionally, and knowingly agreeing together and  
2 with others both known and unknown to the United States Attorney  
3 to commit the following offense against the United States: to  
4 willfully aid and assist in the preparation and presentation of  
5 false income tax returns and other documents to the Internal  
6 Revenue Service of the Treasury Department, in violation of  
7 Title 26, United States Code, Section 7206(2), all in violation  
8 of 18 U.S.C. § 371. A copy of the Information is attached  
9 hereto as Exhibit B.

10 **ACCEPTANCE OF RESPONSIBILITY FOR VIOLATION OF LAW**

11 2. The Bank Leumi Group Entities acknowledge and accept  
12 that, among other things, as set forth more fully in the  
13 Statement of Facts, attached hereto as Exhibit C:

14  
15 The Bank Leumi Group Entities aided and assisted  
16 U.S. taxpayers to file false tax returns by  
17 aiding and assisting such U.S. clients to  
18 maintain undeclared accounts and evade their U.S.  
19 tax obligations through a variety of means. Prior  
20 to April 2009, Bank Leumi-Israel, Bank Leumi-  
21 Switzerland, and Bank Leumi-Luxembourg  
22 (collectively the "Foreign Leumi Group  
23 Entities") sent private bankers to the United  
24 States on a regular basis for the purpose of  
25 opening new accounts and servicing existing  
26 accounts of U.S. taxpayers, some of whom the  
27 bankers knew were evading their U.S. tax  
28 obligations. The Foreign Leumi Group Entities,  
knowing that certain U.S. taxpayers were  
maintaining undeclared accounts, offered an array  
of services and products that aided and assisted  
the U.S. taxpayers in opening and maintaining  
undisclosed accounts. These products and  
services included: (1) the issuance of guarantees  
and Standby Letters of Credit to collateralize  
loans issued by Bank Leumi, USA; (2) the use of  
offshore entities and the Bank Leumi Trust to

1 serve as nominee accountholders; (3) the use of  
2 "Hold Mail" service that prevented any mail from  
3 the Foreign Leumi Group Entities from coming to  
4 the U.S. client in the United States; (4) the use  
5 of "assumed name" and "numbered" accounts that  
6 concealed the name of the U.S. account holder on  
7 all external correspondence, account records, and  
8 other documents; and (5) the opening and  
9 maintenance of accounts for U.S. clients that  
10 exited UBS and other Swiss banks after the  
11 Department of Justice's investigation of UBS  
12 became public.

13 Specifically:

14 (A) Beginning in 2000 and continuing until 2010,  
15 the Foreign Leumi Group Entities, through  
16 certain private bankers and managers within  
17 their respective Private Banking Divisions,  
18 actively assisted or otherwise facilitated a  
19 number of U.S. taxpayers in maintaining  
20 undeclared accounts at one or more of the  
21 Foreign Leumi Group Entities' branches by  
22 (1) advising certain clients to sell all  
23 U.S. securities to evade U.S. reporting  
24 requirements on earnings; and (2) referring  
25 U.S. beneficial owners of accounts to  
26 outside advisors to set up offshore  
27 corporations to act as nominee account  
28 holders, thereby concealing the U.S.  
taxpayers' beneficial ownership in the  
accounts.

(B) In July 2008, UBS, the largest Swiss bank,  
announced that it was closing its U.S.  
cross-border business. Certain Bank Leumi  
executives in both Israel and Switzerland  
viewed UBS's exit from the U.S. cross-border  
business as an opportunity and sought to  
obtain former UBS customers whose accounts  
UBS had stopped servicing because the  
accounts were undeclared and were used to  
evade U.S. tax obligations.

(C) The Bank Leumi Group Entities marketed and  
offered two types of loans to U.S. customers

1 through Bank Leumi USA: participation loans  
2 and loans guaranteed by a Standby Letter of  
3 Credit ("SBLC"). These types of loans allowed  
4 U.S. taxpayers to enjoy the economic benefits  
5 of undeclared funds held offshore without  
6 directly repatriating the funds or creating a  
7 paper trail that could disclose the existence  
8 of the undisclosed foreign accounts to U.S.  
9 authorities.

10 3. The Bank Leumi Group Entities admit, accept, and  
11 acknowledge that they are responsible for the acts and omissions  
12 of their officers, executives, employees, and agents, as set  
13 forth in the Statement of Facts and herein.

14 4. The Bank Leumi Group Entities represent to the  
15 Government that this Agreement, the Information, the Statement  
16 of Facts, and all other exhibits to this Agreement were reviewed  
17 by their respective Boards of Directors and any officer,  
18 employee or agent deemed necessary by the Bank Leumi Group  
19 Entities in order to enter this Agreement. The Bank Leumi Group  
20 Entities, through their undersigned authorized representatives  
21 represent that the Statement of Facts contains truthful and  
22 accurate statements based upon the Bank Leumi Group Entities'  
23 internal investigation, and information provided to the Bank  
24 Leumi Group Entities by the Government.

25 5. The U.S. accounts as set forth more fully in  
26 paragraph 2 of this Agreement and the Statement of Facts,  
27 concerning the period between 2002 and 2010, are referred to  
28 hereinafter as the "Relevant Accounts."

6. Pursuant to this Agreement, based upon the conduct set  
forth in the Statement of Facts, the Bank Leumi Group Entities

1 agree to pay to the United States a total of Two Hundred Seventy  
2 Million Dollars (\$270,000,000) ("the Resolution Amount") within 5  
3 business days of the approval of this Agreement by the United  
4 States District Court. The Bank Leumi Group Entities agree that  
5 they shall pay \$71,769,305 in restitution regarding unpaid taxes  
6 on interest, dividends, and capital gains of U.S. clients with  
7 respect to the Relevant Accounts, which the parties agree  
8 exceeds the gross profits related to the Relevant Accounts at  
9 Bank Leumi-Israel, Bank Leumi-Luxembourg, and Bank Leumi USA.  
10 The parties agree that the restitution amount shall be paid  
11 directly to the Internal Revenue Service, IRS-RACS, Attn: Mail  
12 Stop 6261/Restitution, 333 W. Pershing Ave., Kansas City, MO  
13 64108 pursuant to payment instructions provided to the Bank  
14 Leumi Group Entities. The Bank Leumi Group Entities further  
15 agree to pay \$198,230,695, which consists of (1) \$157,000,000  
16 for Bank Leumi-Switzerland, in lieu of restitution for all  
17 Relevant Accounts at Bank Leumi-Switzerland, consistent with the  
18 Program for Non-Prosecution Agreements or Non-Target Letters for  
19 Swiss Banks announced on August 29, 2013, and (2) in light of  
20 the Bank Leumi Group Entities' extraordinary cooperation as  
21 stated in paragraphs 16 through 29, a monetary penalty of  
22 \$41,230,695 for Bank Leumi-Israel, Bank Leumi-Luxembourg, and  
23 Bank Leumi USA (collectively, the "Penalty Amount"). The  
24 parties agree that the amount paid with respect to Bank Leumi-  
25 Switzerland exceeds the gross profits of Bank Leumi Switzerland  
26 related to the Relevant Accounts. The Penalty Amount shall be  
27 paid directly to the United States pursuant to payment  
28 instructions provided to the Bank Leumi Group Entities. The

1 parties agree that if the Bank Leumi Group Entities fulfill  
2 their obligations set forth in this Agreement, the Government  
3 will take no further action to collect any additional criminal  
4 payment from the Bank Leumi Group Entities with respect to the  
5 criminal investigation and the matters referenced in the  
6 Statement of Facts and related to the Relevant Accounts.

7       7. The Bank Leumi Group Entities agree that no portion of  
8 the amounts that the Bank Leumi Group Entities agree to pay to  
9 the Government and/or the Internal Revenue Service pursuant to  
10 the terms of this Agreement is deductible on any United States  
11 federal, state, or local tax return. The Bank Leumi Group  
12 Entities further agree not to challenge or dispute any part of  
13 the Resolution Amount in any subsequent judicial or  
14 administrative proceeding against the United States or any  
15 agency thereof.

16       8. The Bank Leumi Group Entities acknowledge that the  
17 payment of the Resolution Amount is a final payment and shall  
18 not be refunded: (a) if the Government moves to dismiss the  
19 Information pursuant to this Agreement; or (b) should the  
20 Government later determine that any of the Bank Leumi Group  
21 Entities has breached this Agreement and brings a prosecution  
22 against any of the Bank Leumi Group Entities. Further, nothing  
23 in this Agreement shall be deemed an agreement by the United  
24 States that the Penalty Amount is the maximum amount that may be  
25 required in the event of any such prosecution and the Government  
26 shall not be precluded in any such prosecution from arguing that  
27 the Court should impose a higher amount. The Government agrees,  
28 however, that in the event of a breach of this Agreement and a

1 subsequent prosecution against any of the Bank Leumi Group  
2 Entities, it will recommend to the Court that the Penalty Amount  
3 paid by the Bank Leumi Group Entities pursuant to this Agreement  
4 be credited toward any payment ordered by the Court as part of  
5 any judgment.

6 PERMANENT RESTRICTIONS ON THE U.S. CROSS-BORDER BUSINESS OF

7 BANK LEUMI LUXEMBOURG AND LEUMI PRIVATE BANK

8 9. The "Bank Leumi Group" is defined herein as the Bank  
9 Leumi Group Entities plus all other Bank Leumi-Israel  
10 subsidiaries and affiliates of Bank Leumi-Israel worldwide.

11 10. The Government recognizes that Bank Leumi-Israel, as  
12 the parent organization of the Bank Leumi Group, informed the  
13 Government prior to the execution of this Agreement that it had  
14 decided on its own initiative to cease all banking and  
15 investment services to U.S. taxpayers through Bank Leumi-  
16 Luxembourg (hereinafter "BLUX") and Leumi Private Bank  
17 (hereinafter "LPB"). BLUX and LPB agree that (a) BLUX and LPB  
18 shall cease to provide banking and investment services for all  
19 active accounts held or beneficially owned by a U.S. taxpayer by  
20 December 31, 2014; and (b) BLUX and LPB shall cease to provide  
21 banking and investment services for all accounts, both active  
22 and dormant, held or beneficially owned by a U.S. taxpayer by  
23 the end of the Deferral Period, as defined in paragraph 31 of  
24 this Agreement. The cessation of banking and investment  
25 services with respect to U.S. clients described in this  
26 paragraph is hereinafter referred to as the "BLUX/LPB Exit  
27 Program." The completion of the BLUX/LPB Exit Program as set  
28



1 forth in this paragraph is a material condition of this  
2 Agreement.

3 11. Pursuant to this Agreement, the Bank Leumi Group  
4 Entities agree that the Bank Leumi-Israel Deputy Chief Executive  
5 Officer or an executive appointed by Bank Leumi-Israel's Board  
6 of Directors shall provide to the United States Department of  
7 Justice periodic reports on the BLUX/LPB Exit Program. The  
8 first report shall be due on or before the two-month anniversary  
9 of the date this Agreement is approved by the Court in the  
10 Central District of California (the "Approval Date"), and every  
11 sixty (60) days thereafter until the completion of the BLUX/LPB  
12 Exit Program.

13 HEIGHTENED STANDARDS FOR FATCA COMPLIANCE

14 12. Bank Leumi-Israel, as the parent organization of the  
15 Bank Leumi Group, agrees to ensure that (a) all its subsidiaries  
16 and affiliates, other than Bank Leumi USA, to the extent  
17 required by the Foreign Account Tax Compliance Act, 26 U.S.C. §§  
18 1471-1474 ("FATCA"), have or will enter into a foreign financial  
19 institution agreement ("FFI") or will register under an  
20 applicable intergovernmental agreement ("IGA") for the  
21 implementation of FATCA; and (b) all its subsidiaries and  
22 affiliates will continue to implement and maintain an effective  
23 program of internal controls with respect to compliance with  
24 FATCA in its affiliates and subsidiaries (the "FATCA Compliance  
25 Program"). Bank Leumi-Israel shall ensure that the FATCA  
26 Compliance Program include, but not necessarily be limited to,  
27 the following measures, a number of which Bank Leumi-Israel has  
28 represented to the Government have already been implemented:

1           a.     The appointment of a Global Head of Cross-Border  
2 Activity who reports directly to the Chief Risk Officer or  
3 Deputy Chief Executive Officer of Bank Leumi-Israel, and who  
4 shall make periodic reports on FATCA to the Audit Committee of  
5 the Bank Leumi-Israel Board of Directors;

6           b.     The continued employment of a designated FATCA  
7 Coordinator at Bank Leumi-Israel who reports to Bank Leumi-  
8 Israel's Chief Compliance Officer;

9           c.     The appointment of a FATCA Compliance Officer at  
10 each other affiliate and subsidiary who shall be responsible for  
11 compliance with FATCA and shall report to each subsidiary's or  
12 affiliate's Chief Compliance Officer, who shall in turn report  
13 directly to the Risk Management Committee of the Boards of  
14 Directors of each affiliate or subsidiary. Each Board of  
15 Directors shall in turn report its FATCA compliance to Bank  
16 Leumi-Israel's Board of Directors;

17           d.     The continued development and implementation of  
18 enhanced controls to identify, prevent, detect, and correct any  
19 material failures regarding the Bank Leumi Group's compliance  
20 with FATCA;

21           e.     The continued development and implementation of  
22 periodic training of relevant personnel with respect to FATCA  
23 compliance; and

24           f.     The continued development and implementation of  
25 policies and procedures for receiving and investigating  
26 allegations of material failures of FATCA-related internal  
27 controls.

28

1           13. In addition to the FATCA Compliance Program, Bank  
2 Leumi-Israel shall implement a revised governance structure for  
3 the compliance functions. Within this new framework, the Chief  
4 Risk Officer will have functional management responsibility and  
5 joint line management authority over the compliance functions  
6 that advise the different business divisions, including Global  
7 Private Banking. The Chief Risk Officer will also have  
8 authority to identify issues of Bank Leumi Group importance, and  
9 will have final authority with respect to compensation and  
10 promotion matters for divisional level compliance personnel.

11           14. The Bank Leumi Group Entities agree to close any and  
12 all accounts of recalcitrant account holders as defined in 26  
13 U.S.C. § 1471(d)(6). The development and implementation of the  
14 FATCA-related measures described in paragraphs 12 and 13 of this  
15 Agreement shall include procedures to prevent any of Bank Leumi  
16 Group's employees from assisting recalcitrant account holders to  
17 engage in acts of further concealment of assets and income in  
18 connection with closing any account or transferring any funds;  
19 and Bank Leumi-Israel shall ensure that the Bank Leumi Group  
20 will not open any U.S. accounts except on conditions that ensure  
21 that the account will be declared to the United States and will  
22 be subject to disclosure to the United States by the Bank Leumi  
23 Group.

24           15. With respect to Bank Leumi USA, Bank Leumi USA agrees  
25 to provide the Department of Justice periodic reports that  
26 identify any loan issued by Bank Leumi USA that is  
27 collateralized by a SBLC issued by any Foreign Leumi Group  
28 Entity, or any foreign affiliate of the Bank Leumi Group. The

1 periodic reports shall further warrant that Bank Leumi USA is  
2 fully compliant with all applicable anti-money laundering  
3 regulations regarding such loans and that the relevant foreign  
4 affiliate has confirmed that the related foreign account is  
5 FATCA compliant. The periodic reports shall be due on the two-  
6 month anniversary of the Approval Date, and every one hundred  
7 eighty (180) days thereafter until the end of the Deferral  
8 Period.

9 COOPERATION

10 16. The Government acknowledges that the Bank Leumi Group  
11 Entities have provided substantial and extraordinary cooperation  
12 concerning the Government's investigation of the Bank Leumi  
13 Group Entities' cross-border business with U.S. taxpayers.  
14 Among other things, beginning in December 2011, Bank Leumi-  
15 Israel undertook substantial efforts through meetings with the  
16 Bank of Israel, the Israeli Ministry of Finance, and the Israeli  
17 Tax Authority ("ITA") to facilitate the provision of U.S.  
18 account files and client data, including the identities of U.S.  
19 beneficial owners, of U.S. accounts held at Bank Leumi-Israel  
20 that had certain attributes, without requiring the Government to  
21 identify each U.S. account holder or beneficial owner by name  
22 (hereinafter referred to as "Pattern Requests"). Bank Leumi  
23 met with the ITA Director General to request that he confer with  
24 IRS representatives concerning the exchange of information  
25 pursuant to the Convention Between the Government of the United  
26 States of America and the Government of the State of Israel With  
27 Respect to Taxes on Income (hereinafter the "Tax Treaty").

28

1           17. In August 2013, Bank Leumi-Israel informed the Israel  
2 Association of Banks that it supported efforts to amend Israeli  
3 law to facilitate the exchange of information with the United  
4 States and would not join in a divergent view.

5           18. The Bank Leumi Group Entities conducted an extensive  
6 internal investigation of the Bank Leumi Group Entities'  
7 conduct, including the collection and review of millions of  
8 documents. During the Government's investigation, Bank Leumi-  
9 Israel timely provided over 481,000 pages of documents to the  
10 Government, some of which were voluntarily provided and in  
11 addition to the information sought by the Government pursuant to  
12 its requests under the Tax Treaty or other formal process. Bank  
13 Leumi-Israel voluntarily provided translations of produced  
14 documents, conducted over 40 internal interviews, and through  
15 counsel, proffered the substance of internal interviews  
16 conducted by counsel with the Bank Leumi Group Entities'  
17 employees and management upon the Government's request.  
18 Additionally, Bank Leumi-Israel made presentations to the  
19 Government regarding the results of its internal investigation.

20           19. The Bank Leumi Group Entities confirm that relevant  
21 senior officers and managers of the Bank Leumi Group Entities  
22 that were in place at the time the conduct set forth in the  
23 Statement of Facts occurred have been replaced.

24           20. The Government acknowledges that in connection with  
25 the Bank Leumi Group Entities' internal investigation, Bank  
26 Leumi-Israel engaged Deloitte Transactions and Business  
27 Analytics LLP ("Deloitte") as an independent forensic and  
28 accounting expert to collect and analyze data regarding U.S.

1 accounts. Deloitte collected and analyzed electronic and hard  
2 copy documents from four countries. Deloitte made an in-person  
3 presentation to the Government supporting its data collection  
4 and analysis of U.S. accounts and cooperated in providing the  
5 production of additional explanatory materials as requested by  
6 the Government.

7 21. Bank Leumi-Israel cooperated with U.S. investigators  
8 by voluntarily and timely providing information that assisted  
9 the Government in connection with requests under the Tax Treaty  
10 and the Mutual Legal Assistance Treaty request to the Duchy of  
11 Luxembourg, in a manner that resulted in the production of  
12 additional information relevant to the Government's  
13 investigation.

14 22. The Government acknowledges that Bank Leumi-Israel has  
15 engaged special counsel to assist in requesting the Israeli  
16 Government to look favorably upon IRS requests for information  
17 and has requested that the Israeli Government agree to future  
18 IRS requests for information regarding U.S. accounts. The  
19 Government has been advised that Bank Leumi-Israel has recently  
20 approached the Israeli Government to amend Israeli Tax and Anti-  
21 Money-Laundering laws to require Israeli banks to consider the  
22 tax compliance of its customers.

23 23. The Government acknowledges that in 2012, Bank Leumi-  
24 Israel sent letters to its U.S. clients advising them of the  
25 IRS's Offshore Voluntary Disclosure Program.

26 24. The Government acknowledges that the Foreign Leumi  
27 Group Entities have provided data regarding outgoing transfers  
28 during the period between June 1, 2008, and December 31, 2012,

1 which includes the value of the transfers, the number of  
2 accounts engaging in transfers, and the financial institutions  
3 to which such transfers were made.

4 25. The Government acknowledges that, prior to being  
5 contacted by the Government concerning this investigation, Bank  
6 Leumi USA began a process of conducting its own assessment of  
7 SBLC loans by reviewing all customer relationships with  
8 outstanding SBLC loan clients. Bank Leumi USA continued that  
9 process by either confirming that the SBLC-backed loans were  
10 U.S. tax-compliant or calling the loans and, where necessary,  
11 terminating non-compliant customer relationships.

12 26. The Bank Leumi Group Entities acknowledge and  
13 understand that the cooperation they have provided to date with  
14 the criminal investigation by the Government, and its pledge of  
15 continuing cooperation, are important and material factors  
16 underlying the Government's decision to enter into this  
17 Agreement. The Bank Leumi Group Entities agree to cooperate  
18 fully with the Department of Justice, the Internal Revenue  
19 Service, and any designated law enforcement agency regarding any  
20 matter related to the Government's criminal investigation of the  
21 Bank Leumi Group Entities' U.S. cross-border business, including  
22 in connection with any criminal investigation or prosecution  
23 based on information disclosed to the Government pursuant to  
24 this Agreement.

25 27. The Bank Leumi Group Entities agree that their  
26 continuing cooperation with the Government's investigation as  
27 set forth in the preceding paragraphs shall encompass, but not  
28 be limited to, the following:

1           a. Completely and truthfully disclosing all  
2 information in their possession to the Government about which  
3 the Government may inquire in connection with its investigation  
4 of the Bank Leumi Group Entities' U.S. cross-border business;

5           b. Assembling, organizing, and providing, in a  
6 responsive and prompt fashion, and upon request, expedited  
7 fashion, all documents, records, information, and other evidence  
8 in the Bank Leumi Group's possession, custody, or control as may  
9 be requested by the Government related to its United States  
10 cross-border business;

11           c. Providing, at their own expense, fair and  
12 accurate translations of any foreign language documents produced  
13 by the Bank Leumi Group pursuant this Agreement as may be  
14 requested by the Government, and;

15           d. Providing testimony or information, including  
16 testimony and information necessary to identify or establish the  
17 original location, authenticity, or other basis for admission  
18 into evidence of documents or physical evidence in any criminal  
19 or other proceeding as requested by the Government. Such  
20 cooperation shall include providing information and testimony  
21 concerning the Government's investigation, including, but not  
22 limited to, the conduct set forth in the Information and/or the  
23 Statement of Facts.

24           28. Nothing in this Agreement shall require a Bank Leumi  
25 Group Entity to waive any of the protections of the attorney-  
26 client privilege, attorney work-product doctrine, or any other  
27 applicable privilege unless the Bank Leumi Group Entity  
28 voluntarily chooses to waive any such privilege.





DEFERRAL OF PROSECUTION

1  
2           31. In consideration of the Bank Leumi Group Entities'  
3 entry into this Agreement and their commitment to: (a) accept  
4 and acknowledge responsibility for their conduct; (b) continue  
5 to cooperate with the Government as set forth above; (c) make  
6 payments specified in this Agreement; (d) comply with United  
7 States federal criminal laws and any guidance, directive,  
8 regulation or order issued by the Board of Governors of the  
9 Federal Reserve System, the Federal Deposit Insurance  
10 Corporation, and the United States Department of the Treasury  
11 with respect to FATCA; and (e) otherwise comply with all of the  
12 terms of this Agreement, the Government agrees to recommend to  
13 the Court that prosecution of any of the Bank Leumi Group  
14 Entities be deferred for the period of twenty-four (24) months  
15 from the Approval Date (the "Deferral Period"), subject to the  
16 provisions of paragraph 39 below. The Bank Leumi Group Entities  
17 shall expressly waive indictment, and hereby waive all rights to  
18 a speedy trial pursuant to the Sixth Amendment to the United  
19 States Constitution, Title 18, United States Code, Section 3161,  
20 Federal Rule of Criminal Procedure 48(b), and any applicable  
21 Local Rules of the United States District Court for the Central  
22 District of California for the period during which this  
23 Agreement is in effect.

24           32. The Bank Leumi Group Entities also hereby agree to  
25 waive all rights, whether asserted directly or by a  
26 representative, to request or receive from any department or  
27 agency of the United States any records pertaining to the  
28 investigation or prosecution of this case, including without

1 limitation any records that may be sought under the Freedom of  
2 Information Act, Title 5, United States Code, Section 552, or  
3 the Privacy Act, Title 5, United States Code, Section 552a.

4 33. The Government agrees that if the Bank Leumi Group  
5 Entities are in compliance with all of their obligations under  
6 this Agreement, the Government shall: (a) within thirty (30)  
7 days of the expiration of Deferral Period (including any  
8 extension thereof) hereunder, seek dismissal with prejudice as  
9 to the Bank Leumi Group Entities of the Information filed  
10 against them pursuant to paragraphs 1 and 31 above; and (b)  
11 during the term of this Agreement and thereafter, refrain from  
12 pursuing any additional charges against, or investigation of,  
13 the Bank Leumi Group Entities arising out of, in connection  
14 with, or otherwise relating to the conduct of the Bank Leumi  
15 Group Entities' U.S. cross-border business as admitted to or  
16 disclosed by the Bank Leumi Group Entities to the Government.

17 34. By entering into this Agreement, the United States  
18 does not compromise any civil liability, including but not  
19 limited to any tax liability, which the Bank Leumi Group may  
20 have incurred or may incur as a result of its conduct set forth  
21 in the Statement of Facts.

22 35. This Agreement does not provide any protection against  
23 prosecution for any crimes except as set forth above in  
24 paragraph 33(b). The Bank Leumi Group Entities and the  
25 Government understand that this Agreement to defer prosecution  
26 must be approved by the District Court in the Central District  
27 of California, in accordance with 18 U.S.C. § 3161(h)(2).  
28 Should the Court decline to approve the Agreement to defer

1 prosecution for any reason, both the Government and the Bank  
2 Leumi Group Entities are released from any obligation imposed  
3 upon them by this Agreement, and any exhibits hereto, which  
4 shall be null and void.

5 36. It is further understood that should the Government in  
6 its sole discretion determine, after the date of the execution  
7 of this Agreement, that any of the Bank Leumi Group Entities:

8 (a) gives false, incomplete, or misleading information; (b)  
9 violates any United States federal criminal law or fails to  
10 comply with any guidance, directive, regulation, or order issued  
11 by the Board of Governors of the Federal Reserve System, the  
12 Federal Deposit Insurance Corporation, or the United States  
13 Department of the Treasury with respect to FATCA; or (c)  
14 otherwise commits a material violation of this Agreement, the  
15 Bank Leumi Group Entities shall, in the Government's sole  
16 discretion, thereafter be subject to prosecution for any federal  
17 criminal violations of which the Government has knowledge,  
18 including but not limited to a prosecution based on the conduct  
19 described in the Information and the Statement of Facts; any  
20 prosecution may be premised on any information provided by or on  
21 behalf of the Bank Leumi Group Entities at any time.

22 37. Any prosecutions that are not time-barred by the  
23 applicable statute of limitations on the date of the execution  
24 of this Agreement may be commenced against any of the Bank Leumi  
25 Group Entities within the applicable period governing the  
26 statute of limitations. In addition, the Bank Leumi Group  
27 Entities agree to toll, and exclude from any calculation of  
28 time, the running of the statute of limitations during the

1 duration of this Agreement. By this Agreement, the Bank Leumi  
2 Group Entities expressly intend to and hereby do waive their  
3 rights in the foregoing respects, including any right to make  
4 claims premised on the statute of limitations, as well as any  
5 constitutional, statutory, or other claim concerning pre-  
6 indictment delay. These waivers are knowing, voluntary, and in  
7 express reliance of the advice of the Bank Leumi Group Entities'  
8 counsel.

9 38. It is further agreed that in the event the Government,  
10 in its sole discretion, determines that any of the Bank Leumi  
11 Group Entities has committed a material violation of this  
12 Agreement, including the Bank Leumi Group Entities' failure to  
13 meet their obligations under this Agreement: (a) all statements  
14 set forth in the Statement of Facts, as well as any testimony  
15 given by the Bank Leumi Group Entities or by any of its then-  
16 current employees before a grand jury, or otherwise, whether  
17 before or after the date of this Agreement, or any leads from  
18 statements or testimony, shall be admissible in evidence in any  
19 and all criminal proceedings hereinafter brought by the  
20 Government against any of the Bank Leumi Group Entities; and (b)  
21 none of the Bank Leumi Group Entities shall assert any claim  
22 under the United States Constitution, Rule 11(f) of the Federal  
23 Rules of Criminal Procedure, Rule 410 of the Federal Rules of  
24 Evidence, or any other federal rule, that statements made by or  
25 on behalf of the Bank Leumi Group Entities before or after the  
26 date of this Agreement, or any leads derived therefrom, should  
27 be suppressed or otherwise excluded from evidence. By executing  
28

1 this Agreement, it is the intent of the Bank Leumi Group  
2 Entities to waive any and all rights in the foregoing respects.

3 39. The Bank Leumi Group Entities agree that, in the  
4 event that the Government determines, in its sole discretion,  
5 during the Deferral Period described in paragraph 31 above (or  
6 any extension thereof) that any of the Bank Leumi Group Entities  
7 have committed a material violation of this Agreement, a one-  
8 year extension of the period of deferral of prosecution may be  
9 imposed in the sole discretion of the Government, and, in the  
10 event of continuing or additional violations, additional one-  
11 year extensions as appropriate; provided, however, that in no  
12 event shall the total term of the deferral of prosecution period  
13 of this Agreement exceed four (4) years.

14 40. The Bank Leumi Group Entities agree that they shall  
15 not, through their attorneys, agents, or employees, make any  
16 statement, in litigation or otherwise, contradicting any factual  
17 statement in the Statement of Facts or the Bank Leumi Group  
18 Entities' representations set forth in this Agreement; provided,  
19 however, that the restrictions set forth in this paragraph are  
20 not intended to and shall not apply to any current or former  
21 employee of any of the Bank Leumi Group Entities, or any other  
22 individual or entity, in the course of any criminal, regulatory,  
23 or civil case, investigation, or other proceeding, whether in  
24 the United States or any other jurisdiction, as long as the  
25 individual or entity is not authorized to speak on behalf of any  
26 of the Bank Leumi Group Entities in such proceedings. Any  
27 contradictory statement by any of the Bank Leumi Group Entities  
28 shall constitute a breach of this Agreement and any of the Bank

1 Leumi Group Entities shall thereafter be subject to prosecution  
2 as specified in paragraphs 36 and 37 above, or the Deferral  
3 Period may be extended pursuant to paragraph 39 above.

4 41. The decision as to whether any contradictory statement  
5 will be imputed to any of the Bank Leumi Group Entities for the  
6 purpose of determining whether there was a breach of this  
7 Agreement shall be at the sole discretion of the Government.  
8 Upon the Government's reaching a determination that a  
9 contradictory statement was made by any of the Bank Leumi Group  
10 Entities, the Government shall promptly notify the Bank Leumi  
11 Group Entities in writing of the contradictory statement, and  
12 the Bank Leumi Group Entities may avoid a breach of this  
13 Agreement by repudiating the statement both to the recipient of  
14 the statement and to the Government within five (5) business  
15 days after receipt of notice from the Government. The Bank  
16 Leumi Group Entities consent to the public release by the  
17 Government, in its sole discretion, of any repudiation.

18 42. The Government agrees that nothing in this Agreement  
19 in any way prevents the Bank Leumi Group Entities from taking  
20 good faith positions in litigation involving private parties,  
21 including asserting defenses and affirmative defenses.

22 THE GOVERNMENT'S DISCRETION

23 43. The Bank Leumi Group Entities agree that it is within  
24 the Government's sole discretion to choose, in the event of a  
25 violation of this Agreement, the remedies contained in  
26 paragraphs 36 and 37, or instead choose to extend the Deferral  
27 Period pursuant to paragraph 39. Should the Government determine  
28 that any of the Bank Leumi Group Entities have committed a

1 material violation of this Agreement, including paragraph 6, the  
2 Government shall provide prompt written notice to Bank Leumi-  
3 Israel addressed to its General Counsel, and to the Bank Leumi  
4 Group Entities' counsel, Angela Burgess, Esq. of Davis Polk &  
5 Wardwell LLP, 450 Lexington Avenue, New York, NY 10017, or to  
6 any successor the Bank Leumi Group Entities may designate, of  
7 the alleged material violation and provide the Bank Leumi Group  
8 Entities with a three-week period from the date of receipt of  
9 notice in which to make a presentation to the Government,  
10 including upon request by the Bank Leumi Group Entities, the  
11 Assistant Attorney General in charge of the Tax Division of the  
12 Department of Justice, to demonstrate that no material violation  
13 has occurred, or, to the extent applicable, that the material  
14 violation should not result in the exercise of those remedies or  
15 in an extension of the Deferral Period. The Bank Leumi Group  
16 Entities expressly understand and agree that the exercise of  
17 discretion by the Government under this Agreement is not subject  
18 to review in any court or other tribunal outside of the United  
19 States Department of Justice.

20 LIMITS ON THIS AGREEMENT

21 44. It is understood that this Agreement is binding on the  
22 Bank Leumi Group Entities and the Government as defined above,  
23 but specifically does not bind any other federal agencies, any  
24 state or local law enforcement authorities, any licensing  
25 authorities, or any regulatory authorities. However, if  
26 requested by the Bank Leumi Group Entities or its attorneys, the  
27 Government will bring to the attention of any agencies or  
28 authorities, this Agreement, the cooperation of the Bank Leumi



1 Group Entities, and its compliance with its obligations under  
2 this Agreement, and any remedial steps specified in or  
3 implemented pursuant to this Agreement.

4 PUBLIC FILING AND MISCELLANEOUS PROVISIONS

5 45. The Bank Leumi Group Entities and the Government agree  
6 that, upon filing of the Information in accordance with  
7 paragraph 1 above, this Agreement, including the Statement of  
8 Facts and the other exhibits, shall be filed publicly in the  
9 proceedings in the United States District Court for the Central  
10 District of California.

11 46. This Agreement may be executed in counterparts, each  
12 of which constitutes an original and all of which taken together  
13 constitute one and the same document.

14 47. The Bank Leumi Group Entities shall provide to the  
15 Government a certified copy of a resolution of the Board of  
16 Directors of Bank Leumi-Israel affirming that the Board of  
17 Directors has authority to enter into this Agreement on behalf  
18 of all of the Bank Leumi Group Entities and that each Bank Leumi  
19 Group Entity Board of Directors has (1) reviewed the Information  
20 and the Statement of Facts in this case; (2) reviewed this  
21 Agreement; (3) consulted with legal counsel in connection with  
22 this matter; (4) voted to enter into the proposed Agreement; and  
23 (5) voted to authorize the Bank Leumi-Israel corporate officer  
24 identified below to execute this Agreement on behalf of all of  
25 the Bank Leumi Group Entities and all other documents necessary  
26 to carry out the provisions of this Agreement.

27 48. Deloitte shall provide the Government with a statement  
28 summarizing the quality assurance processes that were executed

1 in producing the computations provided to the Government and  
2 confirming that its work was performed in accordance with the  
3 American Institute of Certified Public Accountants Standards for  
4 Consulting Services.

5 49. This Agreement sets forth all of the terms of the  
6 Deferred Prosecution Agreement between the Bank Leumi Group  
7 Entities and the Government. No modifications or additions to  
8 this Agreement, in whole or in part, shall be valid unless they

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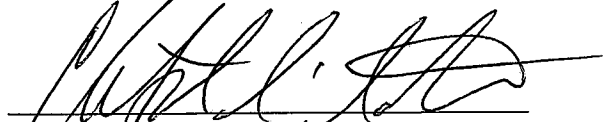
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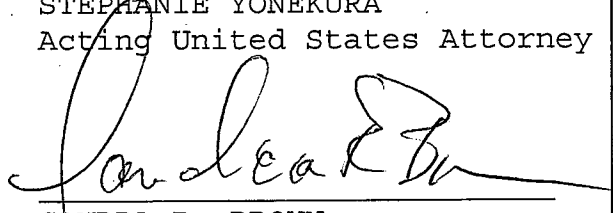
1 are set forth in writing and signed by the Government, the Bank  
2 Leumi Group Entities' attorneys, and a duly authorized  
3 representative of the Bank Leumi Group Entities.

4 Respectfully submitted,

5  
6 DAVID A. HUBBERT  
7 Deputy Assistant Attorney General  
8 Tax Division

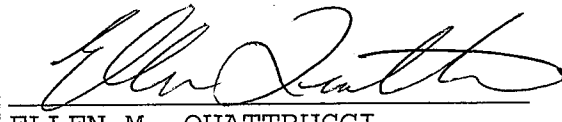
STEPHANIE YONEKURA  
Acting United States Attorney

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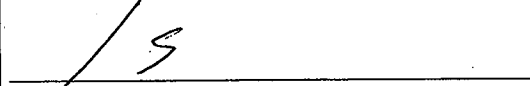
10 CHRISTOPHER S. STRAUSS  
11 Trial Attorney

SANDRA R. BROWN  
Assistant United States  
Attorney  
Chief, Tax Division

12 

13 ELLEN M. QUATTRUCCI  
14 Trial Attorney

Date: 12/22/14

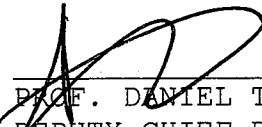
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16 DENNIS R. KIHM  
17 Trial Attorney

18 Date: 12/22/14  
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1 are set forth in writing and signed by the Government, the Bank  
2 Leumi Group Entities' attorneys, and a duly authorized  
3 representative of the Bank Leumi Group Entities.

4  
5 BANK LEUMI GROUP ENTITIES  
6 Defendants

7 Date: 12/16/14 By:   
8 PROF. DANIEL TSIDDON  
9 DEPUTY CHIEF EXECUTIVE OFFICER  
10 BANK LEUMI LE-ISRAEL GROUP

11  
12 DAVIS POLK & WARDWELL LLP

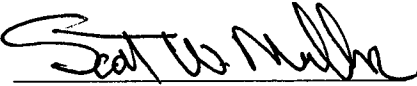
13  
14 Date: 12/16/14 By:   
15 SCOTT W. MULLER, ESQ.  
16 ANGELA T. BURGESS, ESQ.  
17 AVI GESSER, ESQ.  
18 Counsel to the Bank Leumi Group  
19 Entities  
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EXHIBIT A TO DEFERRED PROSECUTION AGREEMENT

RESOLUTION OF THE BOARD OF DIRECTORS OF BANK LEUMI LE-ISRAEL B.M

At a duly held meeting held on December 8, 2014, the Board of Directors of Bank Leumi le-Israel B.M ("Leumi" or the "Company") resolved as follows:

WHEREAS, the Company, together with Bank Leumi le-Israel Trust Company Ltd., Bank Leumi (Luxembourg) S.A, Leumi Private Bank Ltd. and Bank Leumi USA (collectively, the "Leumi Group Entities") have been engaged in discussions with the United States Department of Justice, Tax Division, Western Criminal Enforcement Section and the United States Attorney's Office, Tax Division for the Central District of California (collectively, the "Office") regarding certain issues arising out of, in connection with, or otherwise relating to the conduct of the U.S. cross-border business by the Leumi Group Entities;

WHEREAS, in order to resolve such discussions, it is proposed that the Company together with other Leumi Group Entities enter into a certain deferred prosecution agreement with the Office (the "Agreement"); and

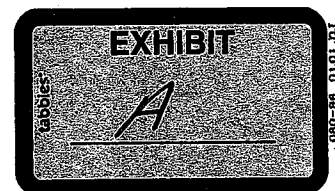
WHEREAS, the Company's outside Counsel has advised the Board of Directors of the Company's rights, possible defenses, and the consequences of entering into the Agreement;

This Board hereby RESOLVES that:

1. The Company (i) consents to the filing in the United States District Court for the Central District of California, Western Division (the "Court") of an Information charging the Company (together with other Leumi Group Entities), with one count of agreeing among themselves and others to willfully aid and assist in the preparation and presentation of false income tax returns and other documents to the Internal Revenue Service, in violation of Title 26, United States Code, Section 7206 (2), all in violation of 18 U.S.C. § 371 as set forth more fully in the Information attached as Exhibit B to the Agreement and reviewed by this Board of Directors, and (ii) agrees to pay, together with other Leumi Group Entities, an amount no greater than \$270 million in connection with the execution of the Agreement and to execute the ongoing obligations described therein in accordance with Israeli law;
2. The Board of Directors of the Company has reviewed the Agreement including the Information attached as Exhibit B to the Agreement and the Statement of Facts (attached as Exhibit C to the Agreement), consulted with legal counsel in connection with this matter and voted to enter into the Agreement.
3. The Deputy Chief Executive Officer of the Company is authorized on behalf of the Company to execute the Agreement substantially in such form as reviewed by this Board of Directors at this meeting with such non- material changes as the Deputy Chief Executive Officer of the Company may approve;
4. The Board takes note that the Deputy Chief Executive Officer of the Company, was also authorized by the Boards of Directors of other Leumi Group Entities to execute the Agreement on their behalf, after each board reviewed the Agreement including the Information attached as Exhibit B to the Agreement and the Statement of Facts (attached as Exhibit C to the Agreement), consulted with legal counsel in connection with this matter, voted to enter into the Agreement and to authorize the Deputy Chief Executive Officer of the Company, to execute the Agreement on behalf of the other Leumi Group Entities.
5. The Board hereby authorizes, empowers and directs the Deputy Chief Executive Officer of the Company, or his delegate and Scott W. Muller, Esq. and Angela T. Burgess, Esq., of Davis Polk & Wardwell LLP, to take, on behalf of the Company and other Leumi Group Entities, any and all actions as may be necessary or appropriate, and to approve and execute the forms, terms or provisions of any agreement or other documents as may be necessary or appropriate to carry out and effectuate the purpose and intent of the foregoing resolutions; and

יחסי תוקף ומחויבות בע"מ

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- 6. All of the actions of the Deputy Chief Executive Officer of the Company, which actions would have been authorized by the foregoing resolutions except that such actions were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved and adopted as actions on behalf of the Company.

**IN WITNESS WHEREOF, the Board of Directors of the Company has executed this Resolution**

\_\_\_\_\_  
Company Secretary

**Adv. Yael Rudnicki**  
Group Secretary

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UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,  
  
Plaintiff,  
  
v.

No. CR 14-

I N F O R M A T I O N

[18 U.S.C. § 371: Conspiracy]

BANK LEUMI LE-ISRAEL B.M.,  
THE BANK LEUMI LE-ISRAEL TRUST  
COMPANY LTD.,  
BANK LEUMI (LUXEMBOURG) S.A.,  
LEUMI PRIVATE BANK S.A., and  
BANK LEUMI USA,

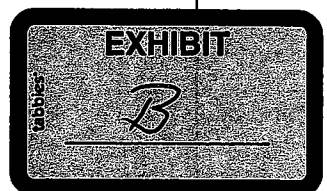
Defendants.

The United States Attorney charges:

INTRODUCTORY ALLEGATIONS

At all relevant times relevant to this Information:

1. Defendant BANK LEUMI LE-ISRAEL, B.M. ("BANK LEUMI-ISRAEL") was a public company, registered with the Registrar of Companies in Israel and traded on the Tel-Aviv stock exchange. Defendant BANK LEUMI-ISRAEL was the parent company of the Leumi Group, which included defendant THE BANK LEUMI LE-ISRAEL TRUST COMPANY LTD. ("BANK LEUMI TRUST"); defendant BANK LEUMI



1 (LUXEMBOURG) S.A. ("BANK LEUMI-LUXEMBOURG"); defendant LEUMI  
2 PRIVATE BANK S.A. ("LPB" and formerly "BANK LEUMI-SWITZERLAND");  
3 and defendant BANK LEUMI USA.

4 2. An "undeclared account" was a financial account owned  
5 by an individual subject to U.S. tax and maintained in a foreign  
6 country that had not been reported by the individual account  
7 owner to the U.S. government on an income tax return and a  
8 Report of Foreign Bank and Financial Accounts, Form TD F 90-22.1  
9 ("FBAR").

10 3. These introductory allegations are incorporated as if  
11 re-alleged in full in Count One of this Information.

12 **COUNT ONE**

13 A. THE OBJECT OF THE CONSPIRACY

14 4. From at least in or about 2000 and continuing until at  
15 least in or about early 2011, defendants BANK LEUMI-ISRAEL, BANK  
16 LEUMI TRUST, BANK LEUMI-LUXEMBOURG, BANK LEUMI-SWITZERLAND, BANK  
17 LEUMI USA (collectively, the "Defendants") did unlawfully,  
18 voluntarily, intentionally, and knowingly conspire, combine,  
19 confederate, and agree together and with others both known and  
20 unknown to the United States Attorney to commit the following  
21 offense against the United States: to willfully aid, assist in,  
22 procure, counsel, and advise the preparation and presentation of  
23 false income tax returns and other documents to the Internal  
24 Revenue Service of the Treasury Department (the "IRS"), in  
25 violation of Title 26, United States Code, Section 7206(2).

26 B. THE MANNER AND MEANS OF THE CONSPIRACY

27 5. The object of the conspiracy was carried out, and was  
28 to be carried out, in substance, as follows:



1 a. Defendants BANK LEUMI-ISRAEL, BANK LEUMI TRUST,  
2 BANK LEUMI-LUXEMBOURG, and BANK LEUMI-SWITZERLAND aided,  
3 assisted, and advised their U.S. clients to either sell all of  
4 the U.S. securities in their accounts or advised their clients  
5 to set up a nominee offshore entity which was controlled by the  
6 client, all in order to avoid U.S. tax reporting requirements;

7 b. Defendants BANK LEUMI-ISRAEL and BANK LEUMI-  
8 SWITZERLAND aided and assisted U.S. taxpayer-clients, who were  
9 exiting an illegal U.S. cross-border business they were  
10 conducting with Swiss Bank A, to open accounts at defendants  
11 BANK LEUMI-ISRAEL and BANK LEUMI-SWITZERLAND, knowing that the  
12 U.S. taxpayer-clients were seeking to maintain accounts that  
13 were undeclared to U.S. authorities;

14 c. Defendants BANK LEUMI-ISRAEL, BANK LEUMI-  
15 LUXEMBOURG, and BANK LEUMI-SWITZERLAND used account features  
16 such as "Hold Mail," "Assumed Name," "Numbered Accounts," and  
17 defendant BANK LEUMI TRUST established accounts for U.S. clients  
18 that listed defendant BANK LEUMI TRUST as the nominee account  
19 holder, all to reduce the likelihood that their clients' U.S.  
20 accounts would be disclosed to or discovered by U.S.  
21 authorities; and

22 d. Defendants BANK LEUMI-ISRAEL, BANK LEUMI-  
23 LUXEMBOURG, BANK LEUMI-SWITZERLAND and BANK LEUMI USA agreed to  
24 a plan whereby loans issued by defendant BANK LEUMI USA to U.S.  
25 clients would be backed by the U.S. clients' undeclared offshore  
26 assets held in accounts at defendants BANK LEUMI-ISRAEL, BANK  
27 LEUMI-LUXEMBOURG, and BANK LEUMI-SWITZERLAND, in order to allow  
28 the U.S. clients to enjoy the economic benefits of the funds in

1 their undeclared accounts without directly repatriating the  
2 funds or creating a paper trail that could potentially disclose  
3 the existence of the undeclared accounts to U.S. authorities.

4 C. OVERT ACTS

5 6. In furtherance of the conspiracy, and to accomplish  
6 its object, Defendants, together with others known and unknown  
7 to the United States Attorney, committed and willfully caused  
8 others to commit the following overt acts, among others, in the  
9 Central District of California and elsewhere:

10 CLIENT 1

11 a. In or about November 2007, in Tel Aviv, Israel,  
12 Client 1, a U.S. citizen residing in Malibu, California, opened  
13 an undeclared account at defendant BANK LEUMI-ISRAEL in Tel  
14 Aviv, Israel.

15 b. In or about July 2008, Client 1, with assistance  
16 from Banker 1, an employee of defendant BANK LEUMI-ISRAEL in Tel  
17 Aviv, Israel, and Banker 2, an employee of defendant BANK LEUMI  
18 USA in Los Angeles, California, opened an account at defendant  
19 BANK LEUMI USA in Los Angeles, California.

20 c. In or about November 2008, Client 1, with  
21 assistance from Banker 1 and Banker 2, caused defendant BANK  
22 LEUMI USA in Los Angeles, California, to extend a \$7 million  
23 credit facility to Client 1, collateralized by Client 1's  
24 undeclared account at defendant BANK LEUMI-ISRAEL.

25 d. On or about October 21, 2009, from the Central  
26 District of California, Client 1 filed with the IRS a false and  
27 fraudulent U.S. Individual Income Tax Return, Form 1040, for tax  
28

1 year 2008 that failed to report the undeclared account at  
2 defendant BANK LEUMI-ISRAEL.

3 CLIENT 2

4 e. In or about 1997, Client 2, a U.S. citizen  
5 residing in Beverly Hills, California, opened an undeclared  
6 account at defendant BANK LEUMI-LUXEMBOURG.

7 f. In or about 2009, Client 2 traveled to  
8 Luxembourg, and met with Banker 3, an executive employed by  
9 defendant BANK LEUMI-LUXEMBOURG, and Banker 4, an employee of  
10 defendant BANK LEUMI-LUXEMBOURG. At that meeting, Banker 3 and  
11 Banker 4 provided Client 2 with a German cellular phone, pre-  
12 programmed with the Bankers' phone numbers in Luxembourg.

13 g. In or about 2009, Banker 3 and Banker 4  
14 instructed Client 2 to never call them from Client 2's personal  
15 phone, but to only call them using the German cellular phone  
16 they provided to Client 2.

17 h. Between in or about 2009 and in or about 2011,  
18 from the Central District of California, and elsewhere, Client 2  
19 called Banker 3 and Banker 4 using the German cellular phone  
20 they had provided in order to discuss Client 2's undeclared  
21 account at defendant BANK LEUMI-LUXEMBOURG.

22 i. On or about February 17, 2011, from the Central  
23 District of California, Client 2 filed with the IRS a false and  
24 fraudulent U.S. Individual Income Tax Return, Form 1040, for tax  
25 year 2009 that failed to report the undeclared account and  
26 related income associated with the undeclared account at  
27 defendant BANK LEUMI-LUXEMBOURG.

28

1 CLIENT 3

2 j. On or about January 5, 2004, Client 3, a U.S.  
3 citizen residing in Tarzana, California, sent Banker 5, an  
4 employee of defendant BANK LEUMI-ISRAEL in Tel Aviv, Israel, a  
5 fax asking that his name be added as a beneficial owner of two  
6 undeclared accounts with in excess of \$12 million on deposit at  
7 defendant BANK LEUMI-ISRAEL in Tel Aviv, Israel.

8 k. On or about April 16, 2009, from the Central  
9 District of California, Client 3 filed with the IRS a false and  
10 fraudulent U.S. Individual Income Tax Return, Form 1040, for tax  
11 year 2008 that failed to report the undeclared account and  
12 related income associated with the undeclared account at  
13 defendant BANK LEUMI-ISRAEL.

14 l. On or about October 2010, Banker 6, an employee  
15 of defendant BANK LEUMI USA in Beverly Hills, California, caused  
16 defendant BANK LEUMI USA in Beverly Hills, California, to renew  
17 a \$6.5 million credit facility extended to Client 3,  
18 collateralized by Client 3's undeclared account at defendant  
19 BANK LEUMI-ISRAEL.

20 CLIENT 4

21 m. In or about September 2008, Client 4, a U.S.  
22 citizen residing in Hollywood, Florida, flew to Switzerland to  
23 close his account at Swiss Bank A, and during that trip met with  
24 Banker 7, an employee of defendant BANK LEUMI-SWITZERLAND, in  
25 order to transfer his funds at Swiss Bank A to defendant BANK  
26 LEUMI-SWITZERLAND.

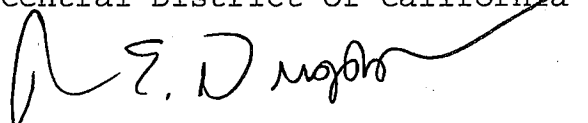
27 n. In or about September 2008, Banker 7 facilitated  
28 the opening of a numbered account at defendant BANK LEUMI-

1 SWITZERLAND by directly communicating with one or more bankers  
2 at Swiss Bank A.

3 o. In or about September 2008, Banker 7 suggested to  
4 Client 4 that Client 4 should have his mail from defendant BANK  
5 LEUMI-SWITZERLAND held at the bank to help prevent Client 4's  
6 account at defendant BANK LEUMI-SWITZERLAND from being disclosed  
7 to the United States Government.

8 p. In or about September 2008, Banker 7 instructed  
9 Client 4 not to take any bank account opening documents from  
10 defendant BANK LEUMI-SWITZERLAND when Client 4 traveled back to  
11 the United States.

12  
13 STEPHANIE YONEKURA  
14 Acting United States Attorney  
15 Central District of California

16 

17 ROBERT DUGDALE  
18 Assistant United States Attorney  
19 Chief, Criminal Division

20 

21 SANDRA R. BROWN  
22 Assistant United States Attorney  
23 Chief, Tax Division

24 

25 CHRISTOPHER S. STRAUSS  
26 ELLEN M. QUATTRUCCI  
27 DENNIS R. KIHM  
28 Trial Attorneys  
U.S. Department of Justice  
Tax Division

STATEMENT OF FACTS

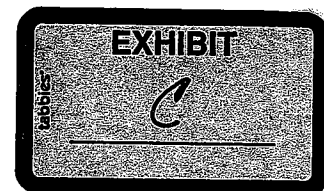
ENTITIES INVOLVED IN THE OFFENSE

1  
2  
3  
4 1. Bank Leumi le-Israel, B.M. ("Bank Leumi-Israel") is a  
5 public company, registered with the Registrar of Companies in  
6 Israel and traded on the Tel-Aviv stock exchange. Bank Leumi-  
7 Israel is one of Israel's largest banks with over 13,000  
8 employees and subsidiaries in 7 countries. Bank Leumi-Israel is  
9 the parent company of the Leumi Group. As of December 31, 2013,  
10 the Leumi Group had approximately \$313 billion in assets under  
11 management.

12 2. The Bank Leumi le-Israel Trust Company Ltd. ("Bank  
13 Leumi Trust") is a subsidiary fully owned by Bank Leumi-Israel.  
14 Bank Leumi Trust was founded in 1939 and is the oldest and  
15 largest of all bank trust companies in Israel. Bank Leumi Trust  
16 provides comprehensive trust services including the  
17 establishment of trusts for clients of Bank Leumi-Israel.

18 3. Leumi Private Bank S.A. ("Leumi Private Bank") is a  
19 subsidiary of Bank Leumi-Israel. Leumi Private Bank was  
20 established in January 2012 after Leumi purchased Banque Safdie  
21 SA and merged it with Bank Leumi Switzerland Ltd. Bank Leumi  
22 Switzerland Ltd. was founded in 1953 in Zurich and also had  
23 operations in Geneva (hereinafter referred to "Bank Leumi-  
24 Switzerland").

25 4. Bank Leumi (Luxembourg) S.A ("Bank Leumi-Luxembourg")  
26 is a subsidiary of Bank Leumi-Israel. Bank Leumi-Luxembourg was  
27 founded in 1994 to serve as the Bank Leumi Group's marketing arm  
28



1 for private banking services, for wealthy clients from all over  
2 the world.

3 5. Bank Leumi USA is an FDIC-insured, full-service  
4 commercial bank that provides financial services to middle  
5 market firms and international businesses through offices in  
6 California, New York, Illinois, and Florida. Bank Leumi USA is  
7 the largest subsidiary of the Leumi Group.

8 6. Bank Leumi-Israel, Bank Leumi-Switzerland, and Bank  
9 Leumi-Luxembourg (collectively "Bank Leumi") provided private  
10 banking, wealth management, and other related financial services  
11 to high-net-worth individuals and entities around the world,  
12 including citizens, resident aliens, and permanent residents of  
13 the United States ("U.S. taxpayers") located in the Central  
14 District of California, and elsewhere. Bank Leumi engaged the  
15 services of Bank Leumi USA and Bank Leumi Trust as part of their  
16 private banking and wealth management services for high-net-  
17 worth clients.

18 7. Bank Leumi-Israel, Bank Leumi USA, Bank Leumi-  
19 Switzerland, Bank Leumi Trust, and Bank Leumi-Luxembourg each  
20 acknowledge and accept responsibility for the acts and omissions  
21 of their officers, executives, managers and employees.

22  
23 **U.S. INCOME TAX AND REPORTING OBLIGATIONS**

24 8. U.S. citizens, resident aliens, and legal permanent  
25 residents have an obligation to report all income earned from  
26 foreign bank accounts on their tax returns and to pay the taxes  
27 due on that income. Since at least 1980, U.S. citizens,  
28 resident aliens, and legal permanent residents had an obligation

1 to report to the Internal Revenue Service ("IRS") on the  
2 Schedule B of a U.S. Individual Income Tax Return, Form 1040,  
3 whether the individual had a financial interest in, or signature  
4 authority over, a financial account in a foreign country in a  
5 particular year by checking "Yes" or "No" in the appropriate box  
6 and identifying the country where the account was maintained.

7 9. Since at least 1980, U.S. citizens, resident aliens,  
8 and legal permanent residents who had a financial interest in,  
9 or signature authority over, one or more financial accounts in a  
10 foreign country with an aggregate value of more than \$10,000 at  
11 any time during a particular year were required to file with the  
12 Department of Treasury a Report of Foreign Bank and Financial  
13 Accounts, Form TD F 90-22.1 (the "FBAR"). The FBAR for the  
14 applicable year was due by June 30 of the following year.

15 10. An "undeclared account" was a financial account owned  
16 by an individual subject to U.S. tax and maintained in a foreign  
17 country that had not been reported by the individual account  
18 owner to the U.S. government on an income tax return and an  
19 FBAR.

20  
21 **BANK LEUMI'S U.S. CROSS-BORDER BUSINESS**

22 11. From at least 2000 until at least 2010, Bank Leumi-  
23 Israel, and its subsidiaries Bank Leumi USA, Bank Leumi-  
24 Switzerland, Bank Leumi Trust, and Bank Leumi-Luxembourg,  
25 through certain private bankers and managers in the United  
26 States cross-border business, in the Central District of  
27 California and elsewhere, did unlawfully, voluntarily,  
28 intentionally, and knowingly agree together with others to



1 commit the following offense against the United States: to  
2 willfully aid and assist in the preparation and presentation of  
3 false income tax returns and other documents to the Internal  
4 Revenue Service of the Treasury Department, in violation of  
5 Title 26, United States Code, Section 7206(2), all in violation  
6 of Title 18, United States Code, Section 371.

7 12. Bank Leumi knowingly opened and maintained undeclared  
8 accounts that aided and assisted U.S. taxpayers in concealing  
9 their offshore assets and income from U.S. taxing authorities.  
10 Bank Leumi, through certain of its managers, private bankers and  
11 employees, promised certain U.S. clients that their accounts  
12 would not be disclosed to the U.S. taxing authorities.

13 13. Prior to April 2009, Bank Leumi sent private bankers  
14 to the United States on a regular basis for the purpose of  
15 opening new accounts and servicing existing accounts of U.S.  
16 taxpayers. The private bankers would meet with U.S. taxpayers  
17 in hotels, parks, and coffee shops because they were not allowed  
18 to meet clients in the domestic branches of Bank Leumi USA to  
19 discuss the clients' accounts and sign bank documents. These  
20 private bankers traveled to the United States, most frequently  
21 Los Angeles, California, New York, New York and Miami, Florida,  
22 one to four times per year, to meet with several clients a day,  
23 for a week or two-week period.

24 14. Certain private bankers would bring bank statements to  
25 the United States for review by the U.S. taxpayers, including  
26 those with "Hold Mail" service. After the records were  
27 reviewed, certain private bankers or the U.S. taxpayer would  
28 dispose of the bank statements to conceal the beneficial owner

1 of the undeclared account and reduce the risk of disclosure to  
2 U.S. taxing authorities.

3 15. The U.S. travel was approved by relevant executives  
4 and paid for by Bank Leumi. The Bank Leumi executives knew that  
5 the purpose of the U.S. travel was to recruit and/or service  
6 U.S. taxpayer accounts. In fact, upon return to Israel,  
7 Switzerland, or Luxembourg, the private bankers produced reports  
8 that summarized the new business generated from the accounts for  
9 their management.

10 16. When private bankers traveled to the United States,  
11 they were required to complete certain forms upon entry to the  
12 United States, including Customs Declaration Form 6059B. On  
13 Form 6059B, certain private bankers would falsely claim, under  
14 the penalties of perjury, that the primary purpose of their trip  
15 to the United States was not business. Bank Leumi managers were  
16 aware of the false declarations and took no corrective action  
17 until April 2009.

18 17. In many instances, Bank Leumi private bankers knew  
19 that the accounts of the U.S. taxpayers they visited were not  
20 disclosed to the U.S. taxing authorities. They also knew that  
21 certain U.S. taxpayers they visited were evading their U.S. tax  
22 obligations.

23 18. Bank Leumi-Israel, Bank Leumi-Switzerland, and Bank  
24 Leumi Luxembourg, knew that certain U.S. taxpayers were  
25 maintaining undeclared accounts and offered an array of services  
26 and products that aided and assisted the U.S. taxpayers with  
27 opening and maintaining undeclared accounts. These products and  
28 services included: (1) the issuance of guarantees and Standby

1 Letters of Credit to collateralize loans issued by Bank Leumi  
2 USA; (2) use of offshore entities and the Bank Leumi Trust to  
3 serve as nominee accountholders; (3) use of hold mail, assumed  
4 name accounts, and numbered accounts; and (4) opening and  
5 maintaining accounts for U.S. taxpayers that exited UBS and  
6 other Swiss banks after the Department of Justice's  
7 investigation of UBS became public.

8 19. Bank Leumi, Bank Leumi USA and Bank Leumi Trust each  
9 knew that the products and services each provided would result  
10 in false U.S. Individual Income Tax Returns and other false  
11 documents being filed with the Internal Revenue Service.

12  
13 **MARKETING OF LOANS TO U.S. TAXPAYERS**  
14 **WHO HELD UNDECLARED ACCOUNTS**

15 20. Bank Leumi USA, Bank Leumi-Israel, Bank Leumi-  
16 Switzerland, Bank Leumi Trust, and Bank Leumi-Luxembourg,  
17 through managers and private bankers, agreed to offer, market  
18 and service two types of loans that assisted U.S. taxpayers with  
19 concealing their assets and evading their U.S. tax obligations:  
20 (1) participation loans; and (2) Standby Letter of Credit Loans  
21 ("SBLC Loans").

22 21. A "participation loan" was a loan originated by Bank  
23 Leumi USA wherein the foreign bank -- Bank Leumi-Israel, Bank  
24 Leumi-Switzerland, or Bank Leumi-Luxembourg -- purchased 100%  
25 funded participation in the loan and the U.S. client executed a  
26 set-off letter securing all debts and obligations in favor of  
27 the foreign bank. Bank Leumi USA and the foreign entity split  
28 equally (50/50) the spread (the difference between the interest

1 rate of the loan and the interest rate on the time deposit at  
2 the foreign entity).

3 22. An SBLC Loan, also known as a "back-to-back loan," was  
4 a loan issued by Bank Leumi USA that was secured or  
5 collateralized by funds at Bank Leumi-Israel, Bank Leumi-  
6 Switzerland or Bank Leumi-Luxembourg. Bank Leumi USA received  
7 interest payments on the loan and the foreign entity separately  
8 collected a "guaranty fee" or "commission" for the issuance of  
9 the SBLC which together usually amounted to 1% of the loan  
10 amount.

11 23. From 2002 to 2010, Bank Leumi USA issued SBLC Loans  
12 secured by accounts of 205 U.S. taxpayers. Bank Leumi profits  
13 related to these SBLC Loans totaled approximately \$23 million  
14 from 2002 to 2010.

15 24. Typically, the U.S. borrower would be required to make  
16 interest-only payments and could renew the participation or SBLC  
17 Loans annually. Indeed, some loans were issued in the 1990's  
18 and renewed annually for a twenty-year period.

19 25. Private bankers and managers at Bank Leumi USA and  
20 Bank Leumi were aware that the SBLC Loans allowed the U.S.  
21 taxpayers to enjoy the economic benefits of the funds in the  
22 undeclared accounts without directly repatriating the funds or  
23 creating a paper trail that could potentially disclose the  
24 existence of the undeclared accounts to U.S. authorities.

25 26. Indeed, when certain U.S. taxpayers wanted to withdraw  
26 funds from an undeclared account or close the undeclared  
27 account, Bank Leumi private bankers would offer them the  
28 alternative of taking out a participation or SBLC Loan in order

1 to keep the funds on deposit. Similarly, Bank Leumi USA bankers  
2 would suggest a participation or SBLC Loan to certain U.S.  
3 taxpayers when the clients wanted to maintain their undeclared  
4 account but retain full use and enjoyment of the funds.

5 27. In and around 2000, Bank Leumi USA began an initiative  
6 to convert all participation loans to SBLC Loans. One reason  
7 for the conversion from participation to SBLC Loans was to  
8 remove information in Bank Leumi USA files that would disclose  
9 the existence and identity of U.S. taxpayers who maintained  
10 undeclared accounts at Bank Leumi. Beginning in and around  
11 2000, Bank Leumi USA, through certain executives, began  
12 structuring its files so that the bank's records contained no  
13 reference to or identifying information about the U.S.  
14 taxpayers' undeclared accounts.

15 28. In 2000, a Bank Leumi USA executive in Beverly Hills,  
16 California sent a communication to a Bank Leumi USA executive in  
17 New York indicating that he considered SBLC Loans cleaner than  
18 participation loans. The SBLC Loan was "cleaner," in his view,  
19 because it did not require Bank Leumi USA and the foreign  
20 affiliate to correspond regarding the profits generated from the  
21 loan or to transfer money to the foreign affiliate to compensate  
22 it for participating in the loan. The information that Bank  
23 Leumi USA did not want to have in its files included: (i) the  
24 name of the account holder of the foreign account; (ii) the  
25 account number; and (iii) the foreign branch where the account  
26 was located.

27 29. In and around 2000, the same Bank Leumi USA executive  
28 advised a manager at Bank Leumi-Israel that he "cleaned" his

1 files of information concerning undeclared accounts for the  
2 specific purpose of concealing the U.S. taxpayers' undeclared  
3 accounts and reducing the likelihood that that U.S. authorities  
4 would claim that Bank Leumi USA assisted clients with hiding  
5 assets.

6 30. In an effort to conceal the existence of undeclared  
7 accounts and reduce the risk that beneficial owners of  
8 undeclared accounts would be identified, beginning in and around  
9 2000, Bank Leumi USA would not identify the person who applied  
10 for the SBLC, usually the U.S. taxpayer with the undeclared  
11 account, on any of the loan paperwork that remained in the  
12 United States. Specifically, the SWIFT message that recorded  
13 the SBLC would generically refer to the SBLC applicant as "you"  
14 or "the applicant." It was not until January 2011, after an  
15 internal review of SBLC Loans, that Bank Leumi USA changed this  
16 policy and required all SWIFT messages to include the name of  
17 the SBLC applicant in the SWIFT message.

18 31. In connection with their applications for  
19 participation or SBLC Loans, U.S. taxpayers would submit  
20 personal financial statements that did not disclose the  
21 existence of their foreign accounts. Likewise, when Bank Leumi  
22 USA private bankers prepared memoranda for review by Bank Leumi  
23 USA's credit committee, the existence of the foreign account was  
24 not documented. Instead, the credit documentation would  
25 reference the U.S. taxpayer being a well-known customer to the  
26 Leumi Group and that the loan was guaranteed by an SBLC issued  
27 by a foreign affiliate.

28

1           32. On occasion, Bank Leumi USA private bankers would  
2 receive and review the U.S. Individual Income Tax Returns of the  
3 U.S. taxpayer as part of the loan application process.  
4 Oftentimes, the tax returns in Bank Leumi USA's possession did  
5 not disclose the existence of the foreign account or report the  
6 income generated by the foreign account.

7           33. On August, 27, 2008, the Federal Deposit Insurance  
8 Company ("FDIC") and the California Department of Financial  
9 Institutions ("CDFI") issued a Cease and Desist Order concerning  
10 Mizrahi Tefahot Bank Ltd. in Los Angeles, California ("Mizrahi  
11 Bank"). The FDIC and CDFI ordered Mizrahi Bank not to make or  
12 renew any "back-to-back" loans or any other similar extensions  
13 of credit unless Mizrahi Bank reviewed and maintained copies of  
14 all records concerning the collateral, including, but not  
15 limited to, records documenting the owner of the foreign  
16 account. Bank Leumi understood that the FDIC and CDFI found  
17 that Mizrahi Bank's practices with respect to the back-to-back  
18 loans did not satisfy Mizrahi Bank's Know Your Customer  
19 obligations and violated certain Bank Secrecy Act and anti-money  
20 laundering regulations.

21           34. From at least 2000 through January 2011, Bank Leumi  
22 USA issued back-to-back loans to customers who had accounts at  
23 Bank Leumi-Israel -- in their own names or in the name of Bank  
24 Leumi Trust -- or at Bank Leumi-Switzerland or Bank Leumi-  
25 Luxembourg without reviewing or maintaining records concerning  
26 the collateral pledged by the U.S. taxpayer.

27           35. On October 3, 2008, a copy of the Mizrahi Bank Cease  
28 and Desist Order was circulated to, among others, executives at

1 Bank Leumi USA. Five days later, in response to the cease and  
2 desist order, on October 8, 2008, Bank Leumi USA notified Bank  
3 Leumi-Luxembourg that "effective immediately," any SBLC guaranty  
4 issued by Bank Leumi-Luxembourg must include the applicant's  
5 full name and address.

6 36. A Bank Leumi-Luxembourg advisor argued against the  
7 policy change stating that "[c]ustomers do not want their names  
8 to appear on official documents, such as an SBLC" and the change  
9 "will have a major impact on our business."

10 37. One reason the policy change was resisted by Bank  
11 Leumi-Luxembourg, with the knowledge of Bank Leumi-Israel  
12 executives, was because certain U.S. taxpayers were not  
13 disclosing their accounts to U.S. taxing authorities and would  
14 not want the fact that they had a foreign bank account disclosed  
15 in the records of Bank Leumi USA.

16 38. After "extensive internal discussion," on January 5,  
17 2009, a Bank Leumi USA executive advised a Bank Leumi-Israel  
18 executive that the policy change would be rescinded, but that  
19 Bank Leumi must confirm that "all KYC information is current and  
20 on file" with the foreign affiliate and that "the client is in  
21 good standing" with the foreign affiliate.

22 39. Bank Leumi USA, through its executives and managers,  
23 continued issuing and renewing back-to-back loans without  
24 reviewing or maintaining records concerning the pledged  
25 collateral. The practice continued until January 20, 2011,  
26 when, after an internal review of SBLC Loans, Bank Leumi USA  
27 amended its policy to require that any SBLC guaranty include the  
28 applicant's name.



1           40.     Beginning in early 2011, before Bank Leumi was  
2 notified of the investigation, Bank Leumi USA began its own  
3 assessment of SBLC Loans by reviewing all customer relationships  
4 with outstanding SBLC Loans to confirm whether the U.S.  
5 taxpayers were tax compliant or not.

6  
7                                   **OFFSHORE ENTITIES AND QI AGREEMENT**

8           41.     Effective January 1, 2001, Bank Leumi-Israel, Bank  
9 Leumi-Switzerland, and Bank Leumi-Luxembourg each entered into a  
10 Qualified Intermediary Agreement ("QI Agreement") with the IRS.  
11 QI Agreements provide a comprehensive framework for U.S.  
12 information reporting and tax withholding for both non-U.S and  
13 U.S. persons, based upon applicable U.S. withholding and  
14 reporting rules. The QI Agreement is designed to ensure that  
15 U.S. persons are properly paying U.S. tax with respect to U.S.  
16 securities held in an account.

17           42.     In and around late 2000, certain private bankers  
18 advised U.S. clients that held U.S. securities in their accounts  
19 that the accounts could remain undeclared (i) if they sold all  
20 U.S. securities prior to January 1, 2001 and signed a waiver  
21 form agreeing that they did not want U.S. securities purchased  
22 in the future; or (ii) set up an offshore corporation that would  
23 serve as the nominee account holder so that Bank Leumi would not  
24 have to report ownership by a U.S. person.

25           43.     Private bankers and managers sometimes referred U.S.  
26 taxpayers to outside lawyers and consultants to set up the  
27 offshore corporations in jurisdictions like the British Virgin  
28 Islands, Panama, Belize and elsewhere. The use of offshore

1 corporations allowed U.S. clients to hold and transact in U.S.  
2 securities without disclosing the identity of the true  
3 beneficial owner or triggering withholding on certain accounts.

4 44. Private bankers and managers accepted and included in  
5 Bank Leumi's account records IRS Forms W-8BEN (or substitute  
6 forms) provided by the directors of the offshore companies which  
7 represented under penalties of perjury that such companies were  
8 the beneficial owners, for U.S. federal income tax purposes, of  
9 the assets in the accounts. In certain cases, the IRS Forms W-  
10 8BEN (or substitute forms) were false or misleading in that the  
11 U.S. taxpayer who owned the offshore company actually directed  
12 and controlled the management and disposition of assets in the  
13 company accounts and/or otherwise functioned as the beneficial  
14 owner of such assets in disregard of the formalities of the  
15 purported corporate ownership.

16 45. Alternatively, in order to avoid disclosure to the  
17 U.S. taxing authorities, private bankers would advise certain  
18 U.S. taxpayers not to purchase U.S. securities, thereby avoiding  
19 QI requirements altogether.

20 46. Similarly, Bank Leumi-Israel private bankers would  
21 suggest that U.S. taxpayers open an account through Bank Leumi  
22 Trust in order to add "an extra level of secrecy" to the  
23 account. The undeclared account would be opened at Bank Leumi-  
24 Israel in the name of Bank Leumi Trust. All bank statements and  
25 correspondence would refer to Bank Leumi Trust as the owner of  
26 the account. Bank Leumi Trust would maintain records detailing  
27 the beneficial owner of the account.

28

1           47. As late as 2010, after Bank Leumi-Israel began closing  
2 accounts that were opened in the name of offshore corporations,  
3 it allowed certain high-net-worth clients, with the approval of  
4 executives, to open accounts at Bank Leumi Trust.

5  
6                           **USE OF ACCOUNT FEATURES TO CONCEAL ACCOUNTS:**  
7                           **HOLD MAIL/ASSUMED NAME/NUMBERED ACCOUNTS**

8           48. Bank Leumi recommended U.S. taxpayers utilize certain  
9 account features that would reduce the risk of U.S. taxing  
10 authorities learning the identities of U.S. taxpayers who  
11 maintained undeclared accounts.

12           49. One such feature was "Hold Mail" service. U.S.  
13 taxpayers who opted for the "Hold Mail" service ensured that  
14 every statement of account, notice or other document associated  
15 with the account would not be sent to the customer's address in  
16 the United States. The customer's mail would remain at the  
17 branch.

18           50. During 2002 to 2010, Bank Leumi maintained  
19 approximately 2450 U.S. accounts in the global private banking  
20 division with "Hold Mail" service. During this period, Bank  
21 Leumi charged a total of approximately \$1.5 million to U.S.  
22 taxpayers for holding their mail outside the United States at  
23 the foreign entities.

24           51. Bank Leumi also provided certain U.S. taxpayers with  
25 "assumed name" and "numbered" accounts. While the foreign  
26 affiliate kept records of the true identity of the client  
27 pursuant to Know Your Customer obligations, if a U.S. taxpayer  
28 selected either an "assumed name" or "numbered" account, the

1 name of the account holder would not appear on any  
2 correspondence, account statements, communications or notices.  
3 Until in and around 2004, Bank Leumi allowed U.S. taxpayers to  
4 complete wire transfers using assumed names or numbered accounts  
5 without disclosing the U.S. taxpayer's true identity or true  
6 account number. In or before 2008, Bank Leumi-Israel stopped  
7 offering new "assumed name" accounts and began converting  
8 existing "assumed name" accounts into regular accounts.

9  
10 **EFFORTS TO OBTAIN U.S. CUSTOMERS FORCED TO**  
11 **EXIT UBS AND OTHER SWISS BANKS**

12 52. In early May 2008, the fact that UBS was being  
13 investigated by the Department of Justice became public. UBS  
14 disclosed that the corporation was being investigated for, among  
15 other things, assisting U.S. taxpayers with evading their taxes.

16 53. On May 7, 2008, a newspaper article regarding the UBS  
17 investigation was distributed to high-level executives within  
18 Bank Leumi.

19 54. In July 2008, UBS, the largest Swiss bank, announced  
20 that it was closing its U.S. cross-border banking business.

21 55. Certain Bank Leumi executives in both Israel and  
22 Switzerland viewed UBS's exit from the U.S. cross-border  
23 business as an opportunity and sought to obtain former UBS  
24 customers whose accounts UBS had stopped servicing because the  
25 accounts were undeclared and were used to evade U.S. tax  
26 obligations.

27 56. In September 2008, a Bank Leumi manager sent an e-mail  
28 to private bankers (including private bankers who dealt

1 exclusively with U.S. customers) noting that "[a]s was published  
2 in the press and media, UBS is under investigation of US  
3 authorities for AML issues. Many customers who maintain their  
4 accounts in the 'UBS' Bank or in other banks in Europe feel  
5 pressured from such publications" and "want to transfer their  
6 accounts to other banks."

7 57. In the same e-mail, the manager acknowledged that  
8 "many banks in Europe . . . are refusing to open an account for  
9 these customers." Nonetheless, the manager described the UBS  
10 exodus as a "golden opportunity to contact customers who you  
11 know have accounts in banks in Europe" and urged the private  
12 bankers to "suggest that [the customers] transfer their  
13 accounts" to Bank Leumi-Israel for "understood" reasons.

14 58. In a July 2009 strategy meeting, another manager  
15 referred to the UBS exodus as a "tremendous opportunity" to be  
16 exploited. At the same meeting, an executive cautioned that  
17 "[e]verything needs to be in the appropriate dosage - And we do  
18 not want the Americans to understand that the safe haven for the  
19 money from Switzerland is Israel. Everything needs to be done  
20 judiciously and in accordance with legal guidelines - on a case  
21 by case basis." After this strategy meeting, the executive  
22 continued to approve account openings for high-net-worth U.S.  
23 clients on a case-by-case basis.

24 59. In late 2008, Bank Leumi-Switzerland was introduced to  
25 a Swiss Asset Manager by an executive at Bank Leumi-Israel. The  
26 Swiss Asset Manager sought to refer a substantial number of  
27 high-net-worth clients that had undeclared accounts at Swiss  
28 banks to Bank Leumi-Switzerland. Certain Bank Leumi-Switzerland

1 executives discussed and decided to open accounts for these U.S.  
2 taxpayers.

3 60. From late 2008 through 2010, the Swiss Asset Manager  
4 referred a total of 66 former Swiss bank account holders to Bank  
5 Leumi-Switzerland. Bank Leumi-Switzerland knew that the U.S.  
6 taxpayers sought to maintain undeclared accounts. Pursuant to a  
7 referral contract, Bank Leumi-Switzerland compensated the Swiss  
8 Asset Manager for the referrals. Bank Leumi-Israel executives  
9 were aware of the referrals.

10 61. In the UBS aftermath, Bank Leumi-Israel accepted  
11 transfers from UBS and other Swiss banks for 104 U.S. clients,  
12 increasing assets under management by approximately \$135  
13 million. Bank Leumi-Switzerland accepted transfers and opened  
14 accounts for 155 customers, increasing assets under management  
15 by approximately \$263 million. Bank Leumi-Luxembourg accepted  
16 transfers and opened accounts for 4 customers, increasing assets  
17 under management by approximately \$3 million.

18  
19 **BANK LEUMI'S INADEQUATE COMPLIANCE SYSTEMS**

20 62. Prior to the UBS investigation, Bank Leumi did not  
21 develop and implement an effective system of supervisory and  
22 compliance controls over private bankers with respect to tax  
23 compliance to prevent and detect violations of U.S. tax laws,  
24 including issuing specific policies regarding the proper  
25 handling of accounts beneficially owned by U.S. persons.

26 63. Bank Leumi did not effectively monitor and control the  
27 activities of certain private bankers and managers in the U.S.  
28 cross-border business, and, as a result, some private bankers

1 and their managers adopted the position that compliance with  
2 U.S. tax law was exclusively the concern of the U.S. taxpayers.

3 64. Bank Leumi, even after the UBS tax investigation  
4 became public, did not adopt a compliance program to fully  
5 address the bank's obligations with respect to U.S. tax law  
6 compliance. Bank Leumi did not issue policies, directives or  
7 guidance prohibiting private bankers from assisting U.S.  
8 taxpayers with evading their tax obligations.

9 65. Bank Leumi took inadequate steps to educate their  
10 private bankers about the proper handling of U.S taxpayers and  
11 what conduct would constitute actively assisting U.S. taxpayers  
12 with concealing assets and evading U.S. tax obligations. Bank  
13 Leumi focused primarily on compliance with banking regulations  
14 and SEC rules, but did not implement policies or directives that  
15 were adequate to detect or prevent violations of U.S. tax law.

16 66. For example, on June 4, 2009 - almost a year after the  
17 UBS tax investigation became public - a Bank Leumi-Israel  
18 executive distributed new guidelines concerning American  
19 customers to private bankers. These guidelines did not fully  
20 address or remedy Bank Leumi's compliance with U.S. tax laws.

21 67. The guidelines stated: "Effective immediately, we  
22 have decided not to accept any new accounts involving use of an  
23 offshore private investment company [or similar structure],  
24 where the sole or principal beneficial owner is a US resident,  
25 and regardless of whether the account-holder or beneficial owner  
26 has furnished a W-9 or whether the account includes U.S.  
27 securities."

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1           68. This limited guidance was not fully implemented and in  
2 certain instances exceptions to the guidance were made in favor  
3 of maintaining and accepting new U.S. cross-border business.

4           69. Although a significant number of U.S. customers left  
5 Bank Leumi as a result of its remedial efforts, private bankers  
6 and managers continued to open and service accounts of U.S.  
7 taxpayers they knew to be evading U.S. tax obligations. As late  
8 as 2010, Bank Leumi private bankers continued to advise U.S.  
9 taxpayers that, unlike UBS, Bank Leumi would not disclose names  
10 to U.S. authorities and, therefore, there was no need to close  
11 the undeclared account. Even after the IRS's Offshore Voluntary  
12 Disclosure Program was announced, Bank Leumi-Israel was advising  
13 certain U.S. taxpayers to buy property in Israel with the funds  
14 in the undeclared accounts or transfer the funds into the name  
15 of an Israeli relative in order to avoid disclosure to certain  
16 U.S. taxing authorities. Bank Leumi did not timely develop  
17 compliance measures to identify, detect or prevent this conduct.

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19 **THIRD PARTY REFERRALS OF U.S. CUSTOMERS TO BANK LEUMI LUXEMBOURG**

20           70. In and around 2002, a Bank Leumi USA executive in  
21 Beverly Hills, California introduced Bank Leumi-Luxembourg  
22 executives to a U.S. tax return preparer, David Kalai. David  
23 Kalai, the principal owner of United Revenue Service, Inc.  
24 ("URS"), sought the assistance of Bank Leumi-Luxembourg to open  
25 undeclared accounts for his tax preparation clients.

26           71. Bank Leumi-Luxembourg, through its executives,  
27 negotiated a draft referral agreement with David Kalai for the



1 purpose of providing compensation to him for referring U.S.  
2 taxpayers to Bank Leumi-Luxembourg to open accounts.

3 72. David Kalai and his son Nadav Kalai were both referral  
4 agents of Bank Leumi-Luxembourg.

5 73. David Kalai, Nadav Kalai, and others employed at URS  
6 arranged for a Bank Leumi-Luxembourg private banker to meet U.S.  
7 taxpayers in California, and elsewhere, to open their undeclared  
8 accounts. During the account opening process, the private  
9 banker advised U.S. taxpayers that the accounts would not be  
10 disclosed to the U.S. taxing authorities.

11 74. Other times, David Kalai would arrange for the U.S.  
12 taxpayer to complete the account opening forms to open the  
13 account at Bank Leumi-Luxembourg at the Beverly Hills Branch of  
14 Bank Leumi USA.

15 75. David Kalai, and others at URS, referred at least 23  
16 customers to Bank Leumi-Luxembourg.

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