

## **Virginia Man Pleads Guilty in Scheme to Conceal Pakistan Government Funding for His U.S. Lobbying Efforts**

Department of Justice Office of Public Affairs

Wednesday, December 7, 2011

<http://www.justice.gov/opa/pr/2011/December/11-nsd-1590.html>

WASHINGTON – **Syed Ghulam Nabi Fai**, 62, a U.S. citizen and resident of Fairfax, Va., pleaded guilty today to conspiracy and tax violations in connection with a decades-long scheme to conceal the transfer of at least \$3.5 million from the government of Pakistan to fund his lobbying efforts in America related to Kashmir.

The guilty plea was announced by Lisa Monaco, Assistant Attorney General for National Security; Neil MacBride, U.S. Attorney for the Eastern District of Virginia; John DiCiccio, Principal Deputy Assistant Attorney General for the Tax Division; James McJunkin, Assistant Director in Charge of the FBI Washington Field Office; and Jeannine Hammett, Acting Special Agent in Charge of the Internal Revenue Service (IRS) Criminal Investigation's Washington, D.C., Field Office.

At a hearing before U.S. District Court Judge Liam O'Grady in the Eastern District of Virginia, Fai pleaded guilty to a two-count criminal information. Count one of the information charges Fai with conspiracy to: 1) falsify, conceal and cover up material facts he had a duty to disclose in matters within the jurisdiction of executive branch agencies of the U.S. government; and to 2) defraud the Treasury Department by impeding the lawful functions of the IRS in the collection of revenue. Count two of the information charges Fai with endeavoring to impede the administration of tax laws.

Fai, who was arrested on July 19, 2011, faces a maximum potential sentence of five years in prison for the conspiracy count and a maximum three years in prison for the tax violation. Judge O'Grady set sentencing for March 9, 2012. As part of his plea agreement, Fai has agreed to forfeit his interest in \$142,851.32 seized by the government in July 2011.

Fai served as the director of the Kashmiri American Council (KAC), a non-governmental organization in Washington, D.C., that held itself out to be run by Kashmiris, financed by Americans and dedicated to raising the level of knowledge in the United States about the struggle of the Kashmiri people for self-determination. But according to court documents, the KAC was secretly funded by officials employed by the government of Pakistan, including the Inter-Services Intelligence Directorate (ISI).

“Syed Fai today admitted his role in a decades-long scheme to conceal the fact that the government of Pakistan was secretly funding his efforts to influence U.S. policy on Kashmir,” said Assistant Attorney General Monaco.

“For the last 20 years, Mr. Fai secretly took millions of dollars from Pakistani intelligence and lied about it to the U.S. government,” said U.S. Attorney MacBride. “As a paid operative of ISI, he did the bidding of his handlers in Pakistan while he met with U.S. elected officials, funded high-profile conferences and promoted the Kashmiri cause to decision-makers in Washington.”

“The Tax Division is committed to prosecuting any individual who illegally uses the tax-exempt status of charitable entities to promote or conceal federal crimes,” said Principal Deputy Assistant Attorney General DiCiccio.

“Mr. Fai purposefully hid financial transactions from the U.S. government, with intentions that his scheme to fund lobbying efforts by a foreign government would go unnoticed,” said FBI Assistant Director in Charge McJunkin. “The FBI will detect and defeat those who attempt to surreptitiously exert foreign influence on our government by using agents who conceal their foreign affiliation.”

“The illegal activity in this case, including tax charges and abuse of charitable organizations, harms all Americans, as we all have to pay our fair share for the government services and protections that we enjoy,” said IRS Special Agent in Charge Hammett.

### The Scheme

Today, Fai admitted that, from 1990 until about July 18, 2011, he conspired with others to obtain money from officials employed by the government of Pakistan, including the ISI, for the operation of the KAC in the United States, and that he did so outside the knowledge of the U.S. government and without attracting the attention of law enforcement and regulatory authorities.

To prevent the Justice Department, FBI, Department of Treasury and the IRS from learning the source of the money he received from officials employed by the government of Pakistan and the ISI, Fai made a series of false statements and representations, according to court documents. For example, Fai told FBI agents in March 2007 that he had never met anyone who identified himself as being affiliated with the ISI and, in May 2009, he falsely denied to the IRS on a tax return for the KAC that the KAC had received any money from foreign sources in 2008.

In addition, according to court documents, Fai sent a letter in April 2010 to the Justice Department falsely asserting that the KAC was not funded by the government of Pakistan. Later that year, Fai falsely denied to the IRS that the KAC had received any money from foreign sources in 2009. In July 2011, Fai falsely denied to FBI agents that he or the KAC received money from the ISI or government of Pakistan.

In fact, Fai repeatedly submitted annual KAC strategy reports and budgetary requirements to Pakistani government officials for approval. For instance, in 2009, Fai sent the ISI a document entitled “Plan of Action of KAC / Kashmir Centre, Washington, D.C., for the Fiscal Year 2010,” which itemized KAC’s 2010 budget request of \$658,000 and listed Fai’s plans to secure U.S. congressional support for U.S. action in support of Kashmiri self-determination.

Fai also admitted that, from 1990 until about July 18, 2011, he corruptly endeavored to obstruct and impede the due administration of the internal revenue laws by arranging for the transfer of at least \$3.5 million to the KAC from employees of the government of Pakistan and the ISI.

According to court documents, Fai accepted the transfer of such money to the KAC from the ISI and the government of Pakistan through his co-defendant Zaheer Ahmad and middlemen (straw donors), who received reimbursement from Ahmad for their purported “donations” to the KAC. Fai provided letters from the KAC to the straw donors documenting that their purported “donations” to the KAC were tax deductible and encouraged these donors to deduct the transfers as “charitable” deductions on their personal tax returns. Fai concealed from the IRS that the straw donors’ purported KAC “donations” were reimbursed by Ahmad, using funds received from officials employed by the ISI and the government of Pakistan.

This investigation is being conducted by the FBI’s Washington Field Office and the IRS Criminal Investigation’s Washington Field Office.

The prosecution is being handled by Assistant U.S. Attorneys Gordon Kromberg and Daniel Grooms of the U.S. Attorney's Office for the Eastern District of Virginia; Trial Attorney John Gibbs of the Counterterrorism Section of the Justice Department’s National Security Division; and Special Assistant U.S. Attorney Allison Ickovic from the Justice Department’s Tax Division.

11-1590 National Security Division