

**VAT FRAUD AND TERRORIST FUNDING –  
THE AZIZI EXTRADITION ALLEGATIONS  
PART I**

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Richard T. Ainsworth

On April 14, 2015 Samir Azizi, a 25 year old German/Afghan citizen, was extradited from the United States to Germany.<sup>1</sup> The Extradition *Compliant* alleged (in 89 criminal counts) that Azizi had denied the German Treasury €61,104,368 in VAT revenue with 12 distinct Missing Trader Intra-Community (MTIC) fraud schemes. At the time of arrest the 26 year old Azizi admitted that his involvement in MTIC frauds stretched back even before 2008, the initial reference year of the *Complaint*.<sup>2</sup>

This paper assesses the Azizi extradition in two parts. The first part considers the first 26 criminal counts, representing alleged VAT losses of €15,302,965 from four MTIC schemes. The second part considers the remaining €45,801,403, in 63 criminal counts involving an additional 8 companies. Underlying both parts of this assessment is a fundamental (but unanswered) question: “Who exactly is Samir Azizi? Is he the mastermind of a multi-million euro VAT fraud, a fundraising fraudster for terrorist organizations, or a youthful face of convenience used to disguise the intentions and involvement of a larger criminal organization?”

The American extradition of Aziz is important because it opens a well-documented public window on large scale MTIC fraud that few outside of a small circle of European defense lawyers and government prosecutors ever get to see. Perhaps the most striking aspect of this case is the fact that Azizi admits that he was 16 years old when he first became involved in large scale MTIC fraud. The German prosecution reflects this. Germany is charging Azizi (in part) with serious financial crimes committed as a juvenile under Article 105 ff of the Juvenile Justice Act.<sup>3</sup>

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<sup>1</sup> *In the Matter of: the Extradition of Samir Azizi, Order Granting Motion for Certificate of Extraditability* 5:14-xr-90282-PSG (March 20, 2015) District Court, N. D. CA, Doc. 60.

<sup>2</sup> *In the Matter of: the Extradition of Samir Azizi, Complaint for Provisional Arrest with a View Towards Extradition (18 U.S.C. § 3184)* 5:14-xr-90282-PSG (March 31, 2014) District Court, N. D. CA, Doc. 1.

<sup>3</sup> §105 *Anwendung des Jugendstrafrechts auf Heranwachsende*, applicable to “youth” who at the time of the act had reached fourteen (14), but not eighteen (18); and in other sections to “young adults” who at the time of the act had reached eighteen (18), but not yet twenty-one (21). *Jugendgerichtsgesetz* (Criminal Code) §1(1). Azizi was born on June 8, 1989, and the *Complaint* alleges his involvement in MTIC fraud from April 30, 2008 (when he was 20 years old) through April 10, 2012 (when he was 24 years old).

During the period ranging from April 30, 2008 until April 10, 2012 Samir Azizi (“Azizi”) and inter alia, the co-defendants ... formed a gang for the purpose of establishing a VAT carousel fraud scheme by means of companies systematically connected in a series and apparently trading in, primarily, mobile telephones, game consoles, copper cathodes, and emissions permits in order to evade VAT taxes on a systematic basis.

But it is clear from the record that Azizi was organizing MTIC chains much earlier than this. Count 1 alleges VAT fraud in the failure to file returns for the Year 2007 (when he was 17 years old), although the “date of the crime” was placed at June 1, 2009. This count alleges that Azizi’s failure to submit VAT returns for WOG GmbH evaded VAT of €148,214.00. *Complaint*, Doc. 1, at 3. Even more striking is Azizi’s confession to investigators that he began evading taxes with WOG GmbH in 2006 (when he was 16 years old). The trade was in cell phones. *Order*, Doc. 60, at 24.

MTIC fraud is a serious problem in the EU. It is not normally associated with juveniles, and certainly not conducted by a juvenile “master mind” in control of 12 companies.

Europol’s 2013 estimate is that the EU loses an estimated €100 billion each year to MTIC fraud,<sup>4</sup> although recent estimates are €140 billion.<sup>5</sup> Although some degree of sophistication is necessary to carry out this fraud, Azizi’s age and the alleged amount he stole either belie assertions that this fraud is both difficult to detect and difficult to carry-out, or suggests that there is something more going on here.<sup>6</sup> The most troubling aspect of this case (more troubling than the financial losses) are the further allegation that is underscored by Judge Howard R. Lloyd in his *Extradition Order* that “... there were also indicators that perpetrators were using the VAT procured through such fraud, not only for personal enrichment, but also to finance terrorism.”<sup>7</sup>

This terrorism reference in the *Extradition Order* directly points to a similar evidentiary allegation in the German government’s *Formal Request for Extradition* (FRE) stating that:

There are numerous indications here that the cash flows are used to finance terrorism.<sup>8</sup>

The author can find no elaboration of these “numerous indications” in any public document. The context suggests that the Judge had access to a discussion of these “indications,” but has chosen not to elaborate. The terrorist connection is not considered in any public document before the court, nor is it publicly argued before the court.<sup>9</sup> There are many thousands of pages of non-public documents in this extradition.

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<sup>4</sup> Europol, *Serious and Organized Crime Threat Assessment (SOCTA) 2013 (Public Version)* March 2013 at 27 indicates that MITC in all goods and services is estimated at 100 billion euro per year:

MTIC fraud is a widespread criminal offence affecting many, if not all EU MS. The perpetrators of MTIC fraud are present both inside and outside the EU. Activities related to MTIC fraud can be directed remotely using the internet. MTIC deprives states of tax revenue required to make investments, maintain public sector services and service foreign debt. The EU is loosing an estimated 100 billion Euros of MTIC income.

<sup>5</sup> *Bulgaria to Join Combating VAT losses in EU – Finance Minister (says)* FOCUS NEWS AGENCY (June 22, 2015) <http://www.focus-fen.net/news/2015/06/22/376057/bulgaria-to-join-combating-vat-losses-in-eu-finance-minister.html> (indicating that the Bulgarian Minister of Finance Vladislav Goranov at a Business Roundtable event in Vienna announced that Bulgaria will joint with Austria, the Czech Republic and Hungary in proposing to the EU Commission that it be allowed to adopt a domestic reverse charge on all transactions over €10,000 as the most recent estimates of MTIC fraud losses have reached €140 billion).

<sup>6</sup> Nor is it difficult to prevent. There is a very workable and tested digital solution to this fraud that the EU does not seem inclined to adopt at the moment. However, the time for adoption is coming soon. See: Richard T. Ainsworth & Goran Todorov, *Stopping VAT Fraud with DICE – Digital Invoice Customs Exchange* 72 TAX NOTES INT’L 637 (Nov. 18, 2013); Richard T. Ainsworth & Goran Todorov, *Plugging the Leaks in the East African Community’s VATs*, 72 TAX NOTES INT’L 561 (Nov. 11, 2013).

<sup>7</sup> *Extradition Order*, Doc. 60, at 22, referencing the *Formal Request for Extradition*.

<sup>8</sup> *In the Matter of: the Extradition of Samir Azizi, Formal Request for Extradition*, 5:14-xr-90282-PSG (official English translation) at 11.

<sup>9</sup> Personal communication, AUSA John Glang, June 3, 2015.

This lack of public evidentiary detail is normal for an extradition. Full evidentiary proof of a prosecutor's allegations is not normally needed at this preliminary stage of a criminal trial. A sworn statement by a foreign prosecuting official, even a statement that summarizes hearsay evidence, is deemed to be sufficient for purposes of an extradition hearing.<sup>10</sup>

Nevertheless, even without crystal clear evidentiary proof, it seems reasonable to assume that Germany has woven an important VAT fraud/ terrorist funding thread into the fabric of this case. A strategic decision appears to be behind the weave of this thread. There are implications; implications both for Aziz personally, and for public awareness of this alleged VAT fraud/ terrorist financing connection.<sup>11</sup>

Azizi is identified with, but not charged with financing terrorism by the German government. As a result, he will not be prosecuted in Germany for terrorist activities, or money laundering related to terrorist financing because of the treaty doctrine of *speciality*.<sup>12</sup>

The doctrine of speciality embodies the theory in international law that compels the requesting state to prosecute the extradited individual upon only those offenses for which the requested country granted the extradition. ... A violation of speciality occurs when, after extradition, the requesting nation charges and prosecutes, or seeks to prosecute, the relator for a crime not agreed to by the requested nation in the extradition proceedings. Implicitly, the doctrine provides the relator with assurances against unexpected prosecution.<sup>13</sup>

If the doctrine of speciality prevents the embedded terrorist connection from being developed in the German phase of this VAT fraud case (because it is not the basis of Azizi's extradition from the US), then the question becomes – *when* will the VAT fraud/ terrorist financing thread be explored? *When* will the terrorism part of the case be developed? We just do not know, but there certainly seems to be another shoe to fall. We are just not privy to the timing.

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<sup>10</sup> See: M. Cherif Bassiouni, INTERNATIONAL EXTRADITION: UNITED STATES LAW AND PRACTICE (sixth ed.) at 906-07. In an extradition hearing the relator may not attack evidence submitted solely on the grounds that it consists of summaries of other evidence (which may not itself be placed in evidence) by the requesting state's prosecutor, if the evidence itself would have been admissible in and of itself. *In re: Extradition of Jarosz*, 2011 U.S. Dist. LEXIS 82957 (N.D. Ill. July 28, 2011).

<sup>11</sup> See for example, BBC NEWS, *Pakistan Training Camp Discussed in Secret Recording* (February 7, 2015) (describing a plot to train, and then conduct a "Mumbai-style" attack on Parliament that would "... use VAT fraud to get 'proper money' for their plans and compared the group's projects to the September 11, 2001 attacks in the US"). Available at: <http://www.bbc.com/news/uk-16932224>

<sup>12</sup> *Treaty between the United States of America and the Federal Republic of Germany Concerning Extradition*, Art 22 (August 29, 1980).

<sup>13</sup> Christopher J. Morvillo, *Individual Rights and the Doctrine of Speciality: The Deteriorations of the United States v. Rauscher*, 14 FORDHAM INT'L. L. J. 987, 992-93 (1990), further referencing *Research in International Law Under the Auspices of the Faculty of the Harvard Law School, Extradition*, 29 AM. J. INT'L. L. 1, 213 (Supp. 1935).

Azizi is accused of acting jointly with the separately prosecute Hosai Azizi, Mehmet Tunc, Miguel Angel Miranda Pina, Yusuf Güles, Selaiman Azizi, Fred Wenzek, Shiraz Jilani, Habib Soori, Hamid Soori, Hamed Soori, Inayat Patel, Nasir Afzal, Asif Seth Marian Iancu and others. The criminal acts of this joint activity is *only* that Azizi is:

... strongly suspected of:

- (1) submitting incorrect or incomplete statements about tax-relevant facts to the tax authorities (77 counts);
- (2) failing to inform the tax authorities about tax-relevant facts, acting contrary to duty (12 counts);

He, thus, committed large-scale value added tax evasions as a member of a gang banded together for the purpose of committing continued tax evasion acts.<sup>14</sup>

The current case is (and will be) only about VAT fraud. Germany will not bring changes related to terrorism. This does not mean that the US or Germany at a later time will not proceed against Aziz, and others for terrorist-related crimes. The clear suggestion is that the German government (and by extension the US government) is in possession of evidence that would support such an action. The impression given is simply – *the time is not yet ripe*.

#### BEGINNINGS – MONEY LAUNDERING

German MTIC investigation into Samir Azizi began when the Cologne District Savings Bank reported (December 10, 2007) to the North Rhineland-Westphalia Regional Criminal Office that they suspected money laundering. It was Samir's sister, Hosai Azizi, who was under suspicion. Hosai Azizi was the official managing director of WOC.<sup>15</sup> The bank had observed €1.7 million passing through the accounts of WOC GmbH immediately after the accounts were opened (May 2007). The transactions were for cell phones, payments were largely in cash, and frequently with a foreign party.

Samir Azizi began his involvement in MTIC fraud with cell phones. He migrated to CO2 permits. Along the way he was always placing friends and family members (almost always women) in positions where they were the formal managers of the companies through which he conducted his frauds. That was the case with his sister and WOC, GmbH.

WOC GmbH  
€1,238,661

Because of the way Samir Azizi structured his companies, the most critical pieces of information are the links that tie him to the entities that “submit[ed] incorrect or

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<sup>14</sup> *Arrest Warrant* Local Court of Cologne (Jan. 9, 2014) File No. 502 Gs 4451/13, StA Köln 1.13 Js 280/10, officially translated from German and attached to the *Formal Request for Extradition*, *supra* note 8, at 22.

<sup>15</sup> Hosai Azizi was born October 25, 1981, and is eight years his senior. See the registration of WOC GmbH at <http://handelsregister-online.net/neueintragung.cfm?cn=3131330#.VXnH0RNVhBf>

incomplete statements” or “fail[ed] to inform the tax authorities about tax-relevant facts.” These are links that make him a “responsible party.”

Samir Aziz is not (formally) the manager of WOC, his older sister (Hosai Azizi) is the manager. She attributes real control of WOC to Samir. From hiding, and through his defense attorney, Samir agrees with his sister. Samir may have thought he would not get caught, but he accepts full responsibility perhaps to lower the punishment on his sister. He acknowledges that he registered WOC, put his sister in control, and arranged all of WOC’s business activities. Samir Azizi is a “responsible party” for filing VAT returns, issuing sales invoices and overseeing all purchase invoices.

The pattern of the helpless manager who is controlled by someone outside of the company is common in MTIC cases.<sup>16</sup> It is a strategic device for a fraudster to install an “inexperienced, naïve and gullible” company manager. These managers are “buffers” against personal detection. They become devices through which *personal* ignorance of the fraud can be imputed to *company*. The goal is to characterize these managers and their companies as “innocent and unwitting participants” in the fraud. This would allow the “master mind,” or the “puppet master,” to escape.

The Azizi extradition case is very different from the standard UK “puppet master” case. Azizi does not use his “cover.” Instead of denying knowledge and responsibility, Samir Azizi (and his sister) accept it. How should we interpret this?

- (a) Is Samir Azizi a teenage “puppet master” who controls his sister (roughly nine years his senior), sets up an “inexperienced, naïve and gullible” company manager to hide behind, and then when they are both caught “red handed,” they confess? Or,
- (b) Are Samir and Hosai Azizi both puppets controlled by a yet unidentified “grand puppet master” who is connected with organized crime, or a terrorist network, and when the Azizi siblings are detected they both cover-up for the real master?

When Hosai Azizi was interrogated by the public prosecutor (September 15, 2010) she indicated that “... Samir Azizi had come to her in 2007 [when he was 17 years old] and asked her [when she was 26 years old] if she could set up a company for him, because he was still a minor at the time. ... At the time, she had been a student herself and had been working part-time ... Samir had prepared all the documents ... She had

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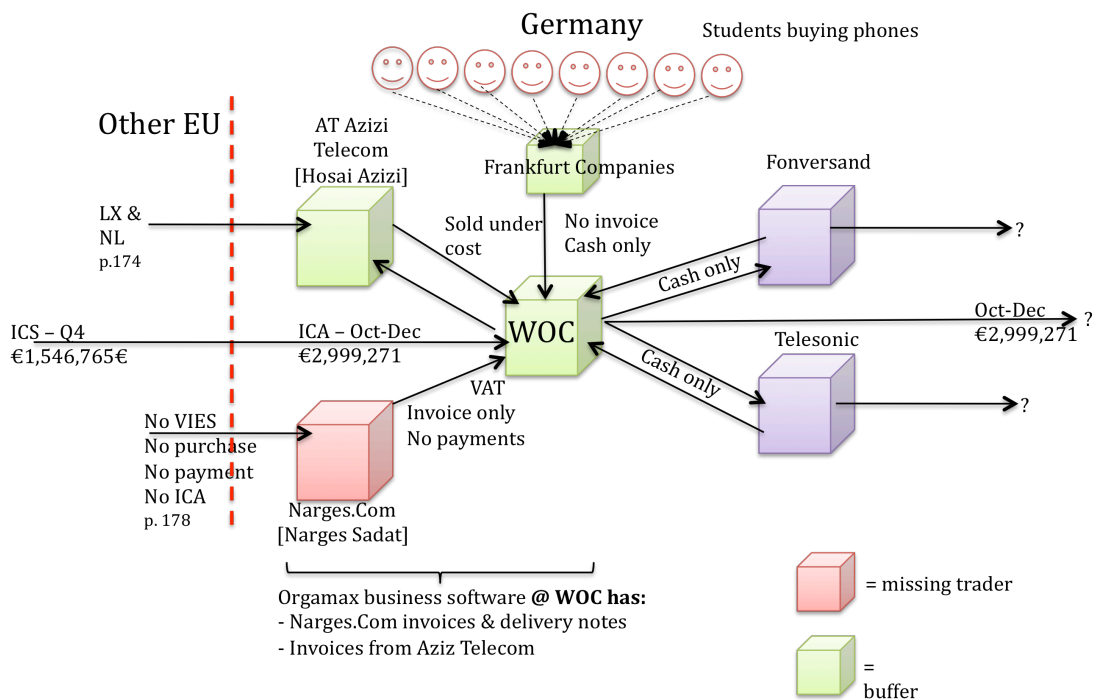
<sup>16</sup> See: *HMRC v Livewire Telecom Ltd and HMRC v Olympia Technology Ltd.* [2009] EWHC 15 (Ch). This appeal of two contra-trading cases – Livewire was the final exporter (broker) in a “clean chain” and Olympia was the final exporter (broker) in a “dirty chain.” *Olympia* directly involved the puppet master/puppet issue as the taxpayer argued that the manager (Mr. Habib) was inexperienced, naïve and gullible. “... [H]e was the ideal person for a ‘puppet master’ to involve in fraud without his knowing.” The court rejected this test. The proper standard was what an ordinarily competent *company* would have known and how it would have evaluated the facts, not what this particular director knew (or could have known). Other “puppet master” UK VAT cases include: *HoneyFone v. HMRC*, VAT Tribunal (London) (January & February 2008); *HMRC v. Blue Sphere Global* [2009] EWHR 1150; *Fonecomp Ltd v. HMRC*, [2012] UKFTT 102 (TC); *DIGI Trade Ltd. v. HMRC* [2011] UKFTT 566 (TC); *Europeans Ltd. v. HMRC*, [2006] VAT Tribunal (London) 20883 (November 26, 2008).

then accompanied him to the notary ... he always prepared the documents that she was supposed to sign. She herself had seldom been on the company premises as she had been working part-time the whole time.”<sup>17</sup>

Samir subscribes to the same story. “I then founded WOC GmbH. ... I persuaded my sister Hosai to put WOC in her name. I promised that everything would be OK. I wanted to stay clean with WOC, and bought equipment and sold it on EBay. But that did not work out very well. So, I had to take the normal [MTIC fraud] way again, because VAT defrauding companies offer the equipment much cheaper.”<sup>18</sup>

Is this the end of the story? Was the 16/17-year old Samir Azizi the “puppet master” controlling his sister, or was he, in turn, a puppet for someone else further up the chain of command? Was this whole arrangement (using a minor and his unwitting sister) really just an elaborate disguise for links to terrorists? We do not know from the evidence presented.

Figure 1 – WOC Ltd.



*WOC, GmbH facts.* The *Complaint* considers Azizi to be the *de facto* manager of WOC, and as such it was he who:<sup>19</sup>

<sup>17</sup> Request for Extradition of Samir Azizi, date of birth 8 June, 1989, from the United States of America to the Federal Republic of Germany, Cologne Public Prosecutor’s Office (Staatsanwaltschaft Köln) May 9, 2014, Case reference number 113 Js 280/10 at 13 (official translation) hereafter “RFE”.

<sup>18</sup> RFE 17-18.

<sup>19</sup> The manager of record was Samir Azizi’s sister, Hosai Azizi, who has been separately prosecuted. Hosai Azizi is also the manager in fact of AT Azizi Telekom.

... issued invoices with separately stated value-added tax for trading in mobile phones. [And then] by deliberately failing to declared turnover in two counts [#1 and #8] and falsely claiming VAT refunds in the other counts [#2 through #7] ... is [the person] responsible for the following evaded tax amounts by the company WOC GmbH.<sup>20</sup>

Supporting documentation flesh out the WOC fact pattern. WOC is in the cell phone trade. It has four inventory streams, and Azizi fully controls two of the four. The first stream is from a company Azizi set up with Hosai Azizi (again) as the manager, called A.T. Azizi Telekom.<sup>21</sup> A second company [Narges.Com] is set up in a similar manner, but in this instance Azizi puts a close friend, Narges Sadat, in as manager.

A.T. Azizi Telekom secured phones in Luxembourg and the Netherlands, and physically transported them (intra-community) to WOC. These transactions occurred before WOC had a VAT ID.<sup>22</sup> Narges.Com is in the same business, but it sold cell phones to WOC that did not exist. The Narges.Com transactions were entirely fictitious.

All Narges.Com *invoices* were drafted on (and stored in) WOC's computers. The invoicing software that was used was licensed to Samir Azizi. The related delivery notes were composed, and stored in the same manner.<sup>23</sup> The invoices of A.T. Azizi Telekom were also drafted on this software and were similarly stored on the WOC computers.

A third inventory stream is asserted, but neither the name nor the commercial details of the supplier is provided. This stream provided cell phones through intra-community sources.

A fourth inventory source came from Frankfurt. The phones involved were high-demand iPhones. A Frankfurt company engaged student "runners" to purchase small lots of iPhones (three to five phones at a time) at Apple retail stores. These iPhones were re-sold to WOC. Azizi claims to have improperly used the runners' receipts to support input deductions for WOC, and then sold the phones for less than the purchase price.<sup>24</sup>

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<sup>20</sup> *Complaint at supra* note **Error! Bookmark not defined.**, at 3.

<sup>21</sup> As a result of her involvement Hosai Azizi was placed in pre-trial detention in the Cologne penal institution until she was released after admitting accusations, paying a €450,000 tax assessment, and withdrawing her appeals. She was sentenced by an order of the Cologne Local Court (Case No. AZ 581 Gs 343/10) for aiding an abetting tax evasion, and received a suspended sentence of 1 year. RFE at 26. It is not clear if the case against Hosai Azizi and that brought against Samir Azizi replicate one another. Nor is it clear if the €450,000 tax assessment represents part of the deficiency alleged in the Azizi extradition case.

<sup>22</sup> Admission of Samir Azizi recorded in RFE at 18.

<sup>23</sup> *Id.* at 21.

<sup>24</sup> The issue here is that Apple prefers to sell to final consumers through its Apple stores, and does not issue VAT invoices to consumers. The students who were purchasing the iPhones would have received receipts, but if the VAT was not separately mentioned and the VAT ID of the Apple store was not noted then the receipt then the receipt would not be a valid VAT invoice, and would not support an input deduction. To be deductible VAT must be paid by the party taking the deduction. A similar problem can be seen in *Gold Standard Telecom v. HMRC* [2014] UKFTT 577 (TC) at ¶ 14:

Most big Apple retail outlets were in London and the Company employed "runners" who would buy the iPhones on the Company's behalf. Noon recommended runners to the



It is not clear if A.T. Azizi Telekom was a “buffer,” or if it was (in part) a “missing trader.” It filed inaccurate returns, and sold phones to WOC under cost.<sup>25</sup> Narges.Com was clearly a “missing trader.” It never filed VAT returns, and only produced invoices that WOC used to claim false deductions.<sup>26</sup> WOC was a “missing trader” in 2007 when it did not file returns, as well as in August 2008.<sup>27</sup> In the intervening period (February through July 2008) the WOC returns contained “false information.”

Ferrograph GmbH	&	Wega Mobile GmbH
€ 199,424		€ 2,955,858

Analytically, Ferrograph GmbH (€199,424) and Wega Mobile GmbH (€2,955,858) are paired assessments. In one instance (Ferrograph) VAT losses are attributable to sales invoices. This is VAT that is stated on invoices, collected, but not reported or remitted to the Treasury.

In the other instance (Wega Mobile) VAT losses are attributed to purchase invoices. Because the purchaser “knew or should have known”<sup>28</sup> that the underlying transaction was involved in fraud, input VAT deductions are improper.

Both EU and German law are clear. Both the person who places VAT on an invoice (this is the Ferrograph GmbH case),<sup>29</sup> and the person who receives an invoice with VAT stated on it (this is the Wega Mobile GmbH case) are liable for the VAT.<sup>30</sup> Dual liability and double recovery are entirely possible.

*Ferrograph, GmbH.* Ferrograph, GmbH is a simple case. It presents very straightforward MTIC fraud. Ferrograph was formed in 1997 (as a shelf company). Samir Azizi purchased it on June 5, 2009, and just as with A.T. Azizi Telekom and

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Company. The Company had formal employment contracts with the runners. The runners were usually in the UK on temporary student visas and most had now left the UK. Aziz admits using the student receipts to support input deductions at WOC, and in this respect the VAT returns filed are fraudulent (although this is not MTIC fraud).

<sup>25</sup> *RFE* at 25-26.

<sup>26</sup> Per the Wiesbaden Tax Office Narges.Com did not file VAT returns and was deregistered on July 9, 2008, *RFE* at 21.

<sup>27</sup> Samir Azizi admits that, “... since I never filed any VAT returns for WOC, tax investigators came at the end of 2007 or beginning of 2008.” *RFE* at 18.

<sup>28</sup> *Joined cases of Kittel v. Belgium and Belgium v. Recolta Recycling SPRL (Kittel)* judgment of 6 July 2006, C-439/04 and C-440/04 [2006] ECR I-6161.

<sup>29</sup> VAT DIRECTIVE, Art. 203; s.14c para.1 UStG. For further example, if an enterprise issues an invoice with an incorrectly high amount of VAT, pursuant to s.14c para.1 UStG he is in debt for the unlawful surplus amount s.14c para.1 UStG especially covers cases in which the enterprise invoices VAT based on a tax rate too high, or invoices VAT with respect to non-taxable or tax-exempt supplies. VAT is payable by the party who places VAT on an invoice (whether that amount is right or wrong). *Finanzamt Osnabrück-Land v. Bernhard Langhorst* Case C-141/96.

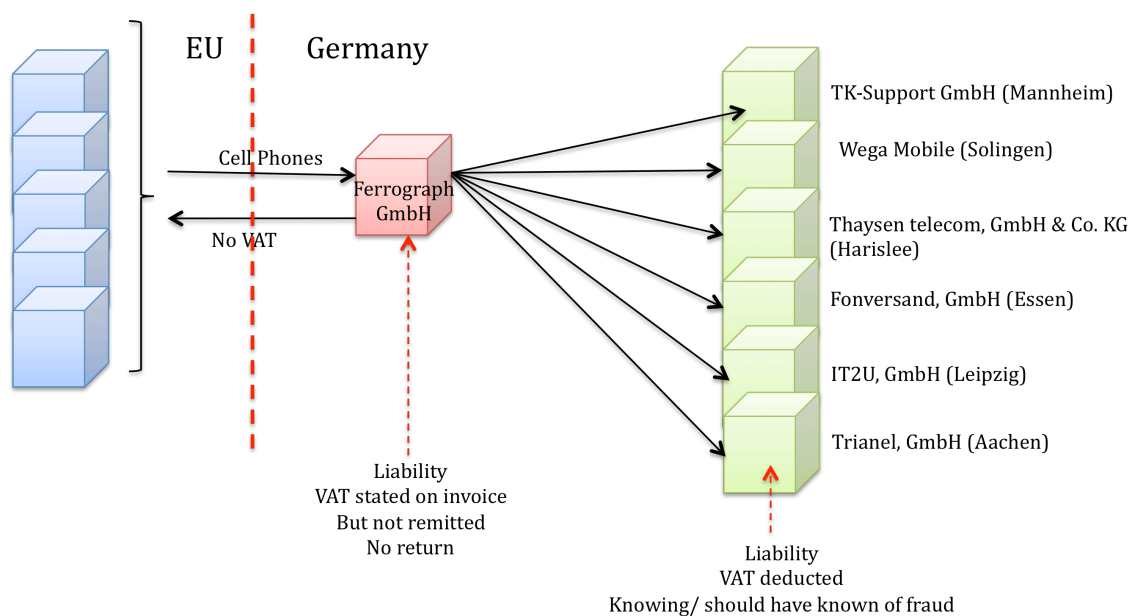
<sup>30</sup> VAT DIRECTIVE, Art. 193.

Narges.Com, Azizi placed an absentee director in charge. This time the director was Miguel Angel Miranda Pina from Hayward, California.<sup>31</sup>

Ferrograph is a missing trader. It never files returns. It purchases over €3,000,000 in cell phones in two months (June and July 2009). All purchases are intra-community acquisitions on which no input VAT was paid, but which were subject to a reverse charge in Germany.<sup>32</sup>

Onward sales are made to German “buffers” at below cost.<sup>33</sup> Ferrograph issues invoices, collects VAT from “buffers,” and never reports the transaction or remits the VAT. Through his defense attorney Azizi has admits to the entire Ferrograph allegation.<sup>34</sup> There is no discussion of the rest of commercial chain in the *Complaint*, but the implication is that an unspecified distributor further down the chain exported the phones.

Figure 2 – Ferrograph, GmbH



The *Complaint* suggests that all transactions are in cell phones, even though the *RFE* indicates that Ferrograph is registered for trading in CO2 permits in the German Emissions Trading Registry.<sup>35</sup> Registering a new company to engage in CO2 trade is particularly noteworthy in the June to July period of 2009 given the spike fraud-related activity in the CO2 market during this period. One would have expected an active

<sup>31</sup> *RFE* at 28. Azizi controlled Ferrograph. For example, e-mail contact with Ferrograph was forwarded through “deref” to the Yahoo address [samir.azizi@wocgmbh](mailto:samir.azizi@wocgmbh).

<sup>32</sup> *RFE* at 27.

<sup>33</sup> *RFE* at 27.

<sup>34</sup> *RFE* at 28.

<sup>35</sup> *RFE* at 29.

fraudster to be heavily engaged in this market at this time, but this is not part of the extradition *Complaint*.<sup>36</sup>

Ferrograph sold exclusively to six “buffers:”

- TK-Support, GmbH,
- Wega Mobile,
- Thaysen telecom, GmbH & Co. KG,
- Fonversand GmbH,
- IT2U GmbH, and
- Trianel GmbH

The *RFE* indicates that separate investigations were proceeding against every responsible person in each of the “buffers” that Ferrograph sold to.<sup>37</sup> If these efforts are successful, and if there are assets remaining, then dual recovery is very possible. Ferrograph would be liable for the VAT that it separately stated on the invoices it issued to each of these “buffers,” and each of the buffers would be equally liable for the same VAT as a result of the denial of deductions that are based on these fraudulent invoices.<sup>38</sup>

*Wega Mobile GmbH*. Offences 11 through 20 concern the “buffer” Wega Mobile GmbH. Wega Mobile made purchases and received VAT invoices from thirteen suppliers from December 2008 through September 2009. Business premises were searched and even more purchase invoices were found (reflecting VAT payments of €3,010,252). The suggestion is that none of the invoices represented real transactions, that the returns that were filed were entirely fabricated, and as a result the €2,955,858 deduction claimed is improper.

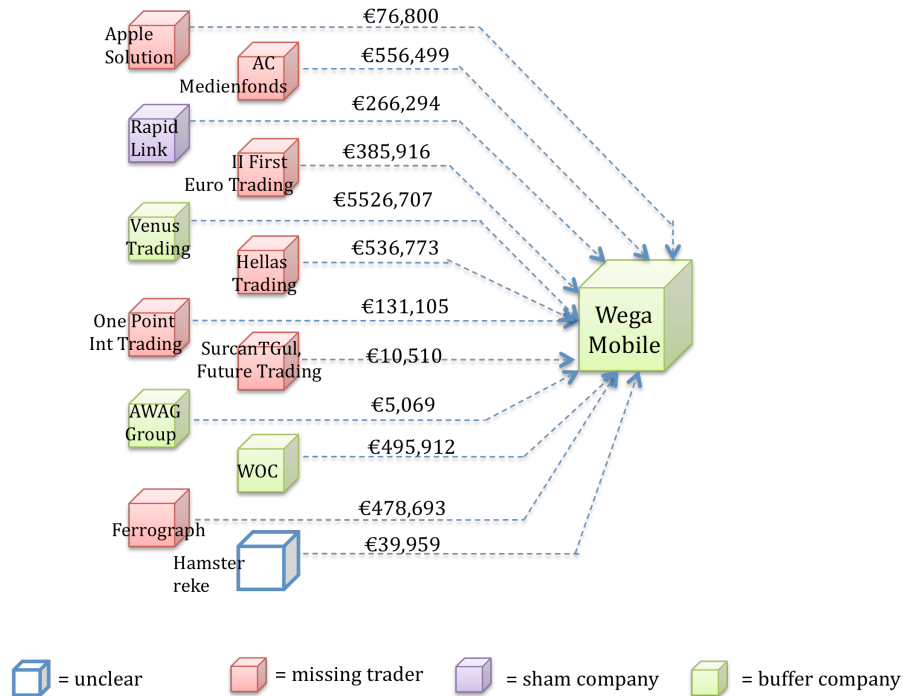
### Figure 3 – Wega Mobile GmbH

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<sup>36</sup> See: Richard T. Ainsworth, *MTIC Fraud Infects Tradable Carbon Permits*, 55 TAX NOTES INT’L 733 (August 31, 2009). On June 4 and 5 of 2009 the BlueNext Exchange in Paris (a spot market for CO2 permits) closed because of MTIC fraud. On June 10, 2009 CO2 permits in France were exempt, and in the Netherlands they were made subject to domestic reverse charge. By July 31, 2009 the UK imposes a zero-rate on CO2 permits. These shifting non-harmonized rules provided fertile ground for MTIC fraud as many fraudsters needed to move their permits out of France.

<sup>37</sup> *RFE* at 27. It is entirely possible that the tax losses in these cases are duplicative of the losses in the Azizi extradition.

<sup>38</sup> *RFE* at 29.



Samir Azizi is deemed to be the *de facto* manager of Wega Mobile.<sup>39</sup> The formal manager, Mehmet Tunc, has been separately prosecuted.<sup>40</sup> Mehmet Tunc and Samir Azizi’s cousin and fiancée, Fariah Maqdoor from Hayward, California each own 50% of Wega Mobile. Samir’s sister, Helai Aziz, was an employee at Wega Mobile.<sup>41</sup> It is clear from statements of Mehmet Tunc and from the admissions of Samir Azizi that real control over Wega Mobile was in the hands of Samir Azizi.<sup>42</sup>

Wega Mobile registered for VAT on November 21, 2008. As with WOC GmbH, Azizi asked Fariah Maqdoor to register as a director because he was too young. In fact, Azizi admits that it was not his age, but his tax problems that made him not want to be visibly involved.<sup>43</sup>

The *Complaint* states that Samir Azizi knew that the purchase invoices were fraudulent, because he, “... knew that no actual supplies ha[d] been made for the [Wega Mobile] purchases.”<sup>44</sup> The *RFE* mentions a few specific transactions, but the vast majority of them are aggregated. The evidence of fraud is overwhelming. Wega Mobile:

- (a) purchased cell phones from known “missing traders,”
- (b) re-sold phones the day it purchased them for less than the purchase price,

<sup>39</sup> *RFE* at 34.

<sup>40</sup> There is no indication of the results of this prosecution, or the charges made, but it is entirely possible that the entire assessment in the *Azizi* extradition *Complaint* is replicated in the action brought against Mehmet Tunc. Both the formal manager and a *de facto* manager could reasonably be determined to be liable for the Wega Mobile frauds.

<sup>41</sup> *RFE* at 30.

<sup>42</sup> *RFE* at 32-33.

<sup>43</sup> *RFE* at 34.

<sup>44</sup> *Complaint* at 4.

- (c) participated in intra-community carousels where it purchased, sold, and then re-purchased and re-sold the same phone multiple times, and finally
- (d) purchased and re-sold phones before its own suppliers acquired them.<sup>45</sup>

The *RFE* lists 12 Wega Mobile suppliers that had been determined to be (by various courts) missing traders, buffers, or sham corporations. The suppliers and the aggregate VAT stated on invoices submitted by them to Wega Mobile is as follows:

- (1) Apple Solution GmbH (€76,800);<sup>46</sup>
- (2) AC Medienfonds GmbH, (€556,499);<sup>47</sup>
- (3) Rapid Link, GmbH, (€266,294);<sup>48</sup>
- (4) I.I.First Euro Trading GmbH (€385,916);<sup>49</sup>
- (5) Venus Trading GmbH, (€526,707);<sup>50</sup>
- (6) Hellas Traders, GmbH (€36,773);<sup>51</sup>
- (7) Point One International Trading GmbH (€131,105);<sup>52</sup>
- (8) Sercan Gul, Future Trading (€10,510);<sup>53</sup>
- (9) AWAG GmbH/ AWAG Alexander Wagenfeld (€5,069);<sup>54</sup>
- (10) WOC, GmbH (€495,912);<sup>55</sup>
- (11) Ferrograph, GmbH (€478,693);<sup>56</sup> and
- (12) Hamsterecke.de GmbH/ Hamster Mobile, GmbH (€39,950).<sup>57</sup>

iTrading GmbH & Co. KG  
€10,909,022

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<sup>45</sup> *RFE* at 30-32.

<sup>46</sup> The Berlin Tax Investigation found that Apple Solution GmbH was a “missing trader.” *RFE* at 40.

<sup>47</sup> The Munich Tax Investigation found that AC Medienfonds GmbH was a “missing trader.” *RFE* at 40.

<sup>48</sup> The Munich Tax Investigation determined that Rapid Link was a “sham” corporation. There is no statement that it was a missing trader. Returns may have been filed. *RFE* at 41.

<sup>49</sup> The Frankfurt Tax Investigation determined that I.I. First Trading, GmbH was a “missing trader.” *RFE* at 41.

<sup>50</sup> The Dusseldorf Tax Investigation determined that Venus Trading, GmbH was a “sham” corporation, installed as a “buffer.” *RFE* at 41.

<sup>51</sup> The Frankfurt Tax Investigation determined that Hellas Traders was a “missing trader.” *RFE* at 42. Umesh Salvi controls this company along with a number of other companies engaged in VAT fraud that are both domestic and international. Hellas Traders was allegedly involved copper cathodes as well as cell phones to accomplish its fraud.

<sup>52</sup> The Frankfurt Tax Investigation determined that Point One International Trading GmbH was a “missing trader.” It traded in cell phones, copper cathodes, and CO2 emission allowances. *RFE* at 42.

<sup>53</sup> The Schwabisch Gmund Tax Investigation determined that Sercan Gul, Future Trading was a “missing trader.” *RFE* at 43.

<sup>54</sup> The Dusseldorf Tax Investigation determined that AWAG, GmbH was a “buffer.” It was sold and re-named AMCO-Group Germany GmbH, and was re-named shortly thereafter to Greenside Energies, GmbH and engaged in the CO2 emission permit trade. The responsible person, Matthias Hartig has been charged and sentenced by a criminal court (final judgment). *RFE* at 43-44.

<sup>55</sup> The Hagen Tax Investigation indicates that WOC, GmbH is a “buffer.” *RFE* at 44.

<sup>56</sup> The Dusseldorf Tax Investigation determined that Ferrograph was a “sham” entity that was a “missing trader.” *RFE* at 44.

<sup>57</sup> The Leipzig Tax Office and the Dusseldorf Tax Investigation made a determination, but it is not clear if it was deemed to be a “buffer” or a “missing trader.” *RFE* at 44-45.

There is an important transition at this point in the *Complaint*. When the *Complaint* moves from WOC, Ferrograph, and Wega Mobile to iTrading it is moving from cell phones to CO2 permits.<sup>58</sup> This is a transition from tangible property to a security (treated as a service for VAT purposes).<sup>59</sup> CO2 permits are greenhouse gas emission allowances under the UN Framework Convention on Climate Change<sup>60</sup> and the Kyoto Protocol.<sup>61</sup> Trading in permits began in the EU on January 1, 2005.<sup>62</sup> The permit itself is digital code.

The fact pattern presented in iTrading is unique in the Azizi extradition. iTrading is a “conduit buffer.” It sits between two streams of convicted fraudsters. As a result, iTrading has two sets of VAT problems: (a) it is liable for the VAT it places on invoices when it sells to known fraudsters (fraudulent output VAT), and (b) it cannot deduct the VAT it pays on purchases from known fraudsters (fraudulent input VAT).

*Fraudulent output.* On December 21, 2011 the Frankfurt Regional Court sentenced Irfan Patel to a 7 year, 10 month prison term for tax evasion as the managing director of Lösungen 360.<sup>63</sup> Lösungen 360 had no office or employees. Its registered office was at an “office service company.”<sup>64</sup> iTrading sold 3,781,000 CO2 permits, or 77.26% of all the permits it sold during the extradition period, directly to Lösungen 360.<sup>65</sup>

*Fraudulent input.* On June 10, 2011, just prior to the decision of the Frankfurt Regional Court, the Düsseldorf Finance Court<sup>66</sup> found that the entities that iTrading bought 62.31% of the CO2 permits that it sold on to Lösungen 360 were purchased from missing traders. The missing traders issued fraudulent invoices that iTrading knew were false. The suppliers were I.I. First Euro Trading (14.86%), Everstar Handels (41.65%), Sabs Euro Trading (1.80%), and Amaan Enterprise (4.00%).<sup>67</sup> iTrading purchased 3,112,000 CO2 permits from these missing traders during the extradition period.

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<sup>58</sup> One emission allowance conveys the right to emit one ton of carbon dioxide.

<sup>59</sup> For a discussion of the tax policy error that brought about this classification by the VAT Committee see: Richard T. Ainsworth, *CO2 MTIC Fraud – Technologically Exploiting the EU VAT (Again)* 57 TAX NOTES INT’L. 357, 362 (January 25, 2010). Richard T. Ainsworth, *MTIC Fraud Infects Tradable Carbon Permits* 55 TAX NOTES INT’L, 733 (August 31, 2009).

<sup>60</sup> Approved by Council Decision 94/69/EC, 2003 O.J. (L 33).

<sup>61</sup> Approved by Council Decision 2002/358/EC, 2003 O.J. (L 130).

<sup>62</sup> DIRECTIVE 2003/87/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC,

<sup>63</sup> Case reference 5/2 KLS 4/11 and *Id.*, at 204.

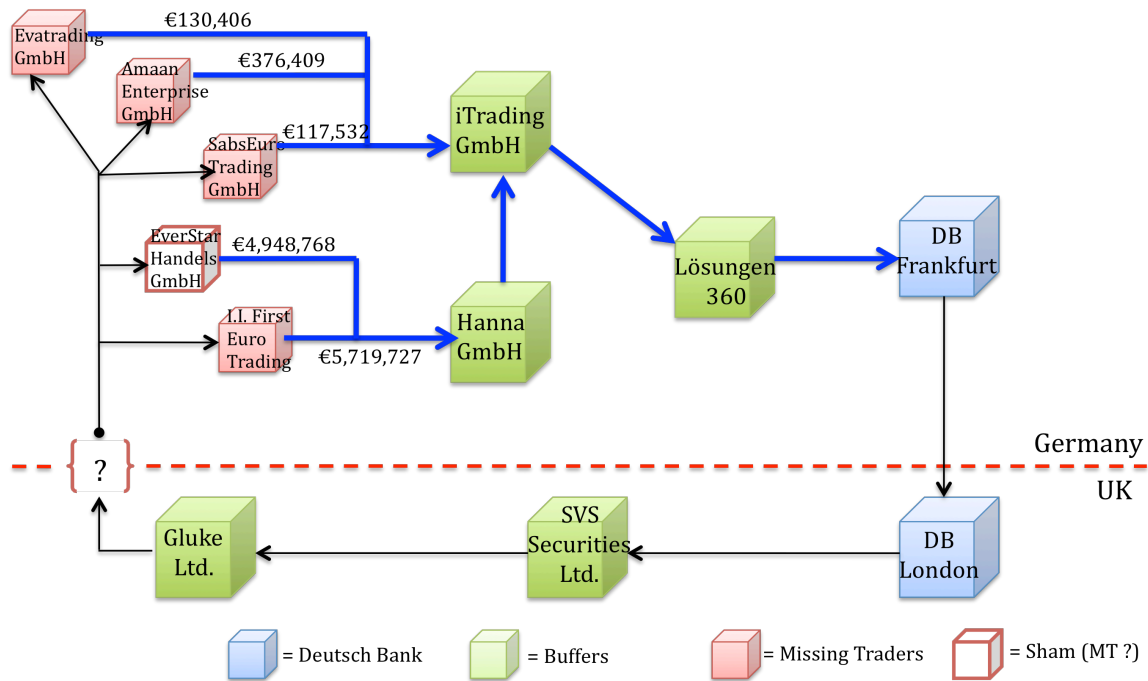
<sup>64</sup> *RFE* at 50.

<sup>65</sup> Public figures taken from the EU-ETS web site. The remaining 22.38% of the CO2 iTrading purchased was sold to known (or suspected) fraudsters who sold on either to Lösungen 360 or Deutsche Bank (Frankfurt). Those entities were Eucalyptus Worldwide Limited (17.51%); Microdyne Limited (1.77%); Naviera Zabat SA (1.77%); II First Euro Trading (1.06%); and Everstar (0.26%).

<sup>66</sup> Case reference 5 V 3555/10 A (H(U)).

<sup>67</sup> Public figures taken from the EU-ETS web site. The remaining 37.69% of the CO2 that iTrading purchased came from known (or suspected) fraudsters SVS Securities (16.88%); Eucalyptus Worldwide Limited (13.26%); Gerald Hampton Limited (3.00%); Naviera Zabat SA (1.34%); GST AS (1.34%);

Figure 4 – iTrading, GmbH



The iTrading offenses (numbers 21 through 26) do not present many difficulties for the German government in their effort to support the Azizi extradition request. Aggregate VAT losses are €10,909,022. They cover a period from April 2009 through February 2010. Azizi is well aware, and even admits that he buys and sells CO2 permits with fraudsters through iTrading.

In the limited facts presented in the *RFE* iTrading is presented as one of two “buffers” selling CO2 permits to Lösungen 360.<sup>68</sup> Lösungen 360 in turn, is presented as selling only to Deutsche Bank (Frankfurt). Reality is always a bit more complicated than the extradition facts in this case. If the publicly available details are examined it is clear that there are a number of smaller parties who also sell to Lösungen 360, and Lösungen 360 in turn also sells small amounts of CO2 to other buffers (that eventually sell on to the

Lösungen 360 (0.80%); Jakata Ltd (0.52%); Kuljit Jakata Ltd (0.28%) and FRONTLINE GLOBAL TRADING PTE. LTD. (0.26%)

<sup>68</sup> During this period (out of its German registry account) Lösungen 360 purchased from Hanna GmbH (DK and DE registries); ShafiqHandelsMBH; cem logistik; TIMES TRADING GmbH; iWorld Group Beteiligungs GmbH; Jaffri Company; Dr. Plathner als Insolvenzerw. der New Energy Markets GmbH i. L.; ASM Trading GmbH; skt skandinavien trading GmbH; Deutsche Bank AG; BECOMAC GmbH; AEM Alternative Energy Markets GmbH; Jan Elgaard; Bollywood Promotoon & Trading GmbH.

During this period (out of its German registry account) Lösungen 360 sold to Deutsche Bank AG; Dr. Plathner als Insolvenzerw. Der New Energy Markets GmbH i. L.; BECOMAC GmbH; AEM Alternative Energy Markets GmbH; Hanna GmbH (DK and DE registries); cem logistik; skt skandinavien trading GmbH; TIMES TRADING GmbH; ShafiqHandelsMBH; Jan Elgaard; Roter Stern GmbH i. L.; Statkraft Markets GmbH; Jaffri Company; ALL Carbon Soltions GmbH; iWorld Group Beteiligungs GmbH.

Deutsche Bank).<sup>69</sup> The German approach in the *RFE* is to take the essential facts and distill them to a simplicity that may not be perfectly accurate, but which tells a clear story.<sup>70</sup>

The “other buffer” (mentioned in the *RFE*) is Hanna, GmbH. Hanna sells directly to Deutsche Bank (Frankfort), as well as to iTrading. When iTrading buys from Hanna it bundles the permits and sells them on to Lösungen 360.

Deutsche Bank (Frankfort) is the eventual distributor for iTrading’s CO2. It “exports” the permits in an intra-community sale to Deutsche Bank (London). This now becomes a carousel that leads right back to Germany and iTrading.

Although not mentioned in the *RFE* a check of the EU-Emissions Trading System (EU-ETS)<sup>71</sup> shows that the iTrading chain forms a perfect circle.<sup>72</sup> The CO2 permits that Deutsche Bank (London) purchases are sold twice in the UK (first to SVS Securities Plc. and then to Gluke Ltd.). These permits are then exported from the UK back to the same German missing traders that iTrading purchased from.

Evidence derived from the interrogation of Raik Heinzelmann demonstrated that the same CO2 permits passed between iTrading and Lösungen 360 up to eighteen times.<sup>73</sup> Azizi was aware of this. In fact, he explains in his interrogation that he wanted to purchase a tracking program from SAP, because repeated re-sale of the same permits presented a high risk of audit.<sup>74</sup>

Samir Azizi founded iTrading GmbH in the familiar manner. He installed his cousin, Habib Ahmed Soori, as the formal managing director.<sup>75</sup> Irfan Patel, the founder of Lösungen 360, was “an acquaintance” of the Soori family.<sup>76</sup> The fraud-connections remained a “family-and-friends-affair.”

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<sup>69</sup> All sales do go to Deutsche Bank (Frankfort), but not all get there directly. In some instances there are additional buffers at play. *RFE* at 56.

<sup>70</sup> The simplification within the extradition documentation may reflect German recognition that the US is one of the last jurisdictions in the world where there is no VAT.

<sup>71</sup> DIRECTIVE 2003/87/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a scheme for greenhouse gas emission allowance trading within the Community and amending COUNCIL DIRECTIVE 96/61/EC, O.J. (L 275) 32, Art. 4.

<sup>72</sup> “Completing the circle” is simply a matter of looking up Gluke Ltd. in the EU-ETS for this time period, and noticing that they purchase 58.65% of their CO2 permits from SVS Securities Plc. (as reported by Azizi), and then sold 85.45% of all the permits they acquired to the missing traders that iTrading purchased from: I.I. First Euro Trading (26.10 %); Everstar – DK & EE (43.42 %); Hanna (8.83%); SABS Euro Trading (7.10%)

<sup>73</sup> This data file was presented by Raik Heinzelmann during an interrogation. *RFE* at 50. Mr. Heinzelmann was not an employee of iTrading, but was presented to the government as an employee in 2009 to help iTrading secure a VAT ID. Heinzelmann was an employee of Advantag AG. *RFE* AT 48.

<sup>74</sup> *RFE* at 54.

<sup>75</sup> Samir Azizi’s admission confirms his role, as do statements made by Habib Soori. *Id.*, at 207.

<sup>76</sup> *RFE* at 44.



The master planner of the CO2 carousel that iTrading was involved in does not seem to be either a “family” member or a “close friend of the family,” but rather a Dubai man named Adam Hicks.<sup>77</sup> Hicks assigned Azizi the role of developing “buffers” for the CO2 trade that was destined for Deutsche Bank.<sup>78</sup> Samir’s role was also to “... try to approach customers, e.g. Deutsche Bank ...”<sup>79</sup> It is clear from telephone intercepts that Samir Azizi exactly what he was told. The *RFE* states that Samir, “... himself made arrangements with employees of Deutsche Bank [to purchase the CO2 permits that were coming through the supply chain].”<sup>80</sup>

Thus, there are layers upon layers of control in this CO2 chain. Azizi places family members (commonly women) in direct control of companies while he stands back and directs all the transactions under instructions from Adam Hicks. The person behind Azizi (Adam Hicks) seems to have more control than Aziz, and may be covering up for individuals further up the chain. It seems unlikely, even though the extradition of Azizi is appropriate, that the German government has found the person(s) ultimately responsible for this fraud (unless of course those people are the employees of the Deutsche Bank who are under separate investigation).

This is an extraordinary aspect of the iTrading case – Deutsche Bank. What is to be made of the prominent role played by Deutsche Bank as the distributor of the CO2 permits? Was Deutsche Bank an unwitting participant or an active participant in the fraud?

*Deutsche Bank.* When the German government constructed its case in support of Azizi’s extradition using the iTrading fact pattern it seems to have gone out of its way to present a detailed treatment of Deutsche Bank’s involvement in the CO2 chain. Why does the *RFE* go into so much detail here? Samir Azizi’s statements strongly implicate Deutsche Bank’s knowing participation in this fraud. But what purpose does this serve? Does the fact that Deutsche Bank may have been involved in the fraud make Azizi more extraditable in the eyes of a US magistrate? How does it help the extradition request for the *FRE* to state:

The punishable offense of the involved employees of Deutsche Bank is subject to further investigation proceedings currently pending at the Frankfurt Attorney General’s Office.<sup>81</sup>

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<sup>77</sup> Adam Hicks was a person Azizi met at Cebit 2009 (Cebit is the world’s largest international computer expo held each year on the fairgrounds at Hanover, Lower Saxony, Germany). Azizi indicates:

[Adam Hicks] was of the company AC Medienfond. Adam Hicks was an Indian. He was responsible for the company I.I. First Euro Trading. ... [He was] British and a resident in Dudai. I do not know the surname of the “Alias.” But Hicks was certainly not his real name. Certainly an alias name. Whose Indian’s real name is Hocks? Hicks lives in India still today. (*RFE* at 35)

<sup>78</sup> *RFE* at 52.

<sup>79</sup> *RFE* at 52.

<sup>80</sup> Evidence comes from confiscated “... computers, chat protocols, e-mail accounts, devices and card memories of cell phones and so-called pocket personal computers, such as Blackberries, iPhone or Persona Digital Assistants (PDA). In addition to this, communications were intercepted.” *Id.*, at 206.

<sup>81</sup> *FRE* at 56.

Public documents indicate that Deutsche Bank did have significant difficulty with VAT compliance during the period of the Azizi extradition complaint. Even though the details of the Deutsche Bank's involvement may have little impact on the resolution of Azizi's case, a public examination of Deutsche Bank's role might open a larger window on the criminal mechanics of MTIC fraud. In particular, it might become apparent how criminals manipulate major European financial institutions to carry out the fraud. Only recently was a similar money-laundering/ MTIC VAT fraud chain resolved with Italia Telecom and the Ndrangheta mafia.<sup>82</sup> Rather than the mafia seeking money-laundering vehicles, the German government is suggesting in the Azizi extradition that terrorists may be manipulating Deutsche Bank.

It is public information that in the summer of 2011 the Deutsche Bank adjusted its 2009 VAT return by €150 million because it had become entangled in CO2 MTIC fraud. It had filed an improper refund claims with the German Treasury. By the end of 2011 additional public disclosures by Deutsche Bank indicated that the bank needed to take additional charge against earnings for €310 million to restore improperly refunded VAT to the German Treasury for CO2 fraud-related deals it had entered into.<sup>83</sup>

Deutsche Bank (Frankfurt) occupies the position of the "distributor" in the iTrading MTIC fraud chains. The *RFE* thereby characterizes the €450 million returned to the German Treasury as improperly claimed refunds on the sale of CO2 to Deutsche Bank (London).

How is this relevant to the extradition of Samir Azizi? It does not seem related at all. Is this a case of "overkill?" Or, is it argumentation in preparation for later litigation with Deutsche Bank?

The fact that Samir Azizi is aware that Deutsche Bank (Frankfurt) re-sold his CO2 permits to Deutsche Bank (London), and that he is aware that those same certificates were sold again to SVS Securities and then Gluke Ltd in the UK before they came back to Germany proves nothing more against Aziz. It proves that Samir is fully aware of the scope of the carousel fraud he is involved with, but this information is not necessary to prove his involvement in criminal VAT fraud in the iTrading fact pattern. In this case

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<sup>82</sup> A distributor with deep pockets is critical to the success of MTIC frauds. Deutsche Bank fits this bill as did Italia Telecom, Fastweb and Sparkle in the Italian VoIP MTIC fraud. For a discussion of the Italian VoIP MTIC fraud (which at \$2.7 billion was alleged to be the largest fraud in Italian history) see: Richard T. Ainsworth, *The Italian Job – Voice over Internet Protocol MTIC Fraud in Italy*, 58 TAX NOTES INT'L 721 (May 31, 2010) and Richard T. Ainsworth, *VoIP MTIC – VAT Fraud in Voice over Internet Protocol* 57 TAX NOTES INT'L 1079 (Mar. 22, 2010). Fastweb Founder Scaglia Freed, Reuters US (February 24, 2011); Ilaria Sacchettoni, *Un anno agli arresti Ora Scaglia è assolto, (A Year in Custody. Now Scaglia is Acquitted)* CORRIERE DELLA SERA October 18, 2013 available at:

<sup>83</sup> See: Deutsche Bank Aktiengesellschaft: Registration Document pursuant to Art. 5(3) of the Directive 2003/71/EC and Sec. 12(1)(3) German Securities Prospective Act (Wertpapierprospektgesetz) (May 27 2013 at 17-18. Nach Steuerrazzia, German Bank Chief Calls on Prime Minister (Deutsche Bank-Chef ruft Ministerpräsident an) FRANKFURTER ALLGERMAINE RHEIN-MAIN (December 12, 2012) (indicating the 2009 VAT return was amended in the Summer of 2011 by €150 million, and at the end of 2011 an additional €310 million charge against earnings was taken.) Available at: <http://www.faz.net/aktuell/rhein-main/nach-steuerrazzia-deutsche-bank-chef-ruft-ministerpraesident-an-11996130-b1.html>

Azizi bought from and sold to known fraudsters, and he has admitted doing so knowingly. What more do we need?

At one point Samir indicates that he knows the fraud he is engaged in is so extensive that he needs an SAP program to track his CO2 permits. He knows that some times "... the same allowances were traded up to eighteen times through the chain, and 'turned around' several times via Germany, England, Dubai and other involved states."<sup>84</sup>

Samir Azizi is equally well informed about the money flows. Starting with a payment platform (Global Reach England), Azizi explains that money flows first to SVS Security Ltd. (UK), then to Deutsche Bank England (UK), and on the Deutsche Bank Germany. From there the money flows back to Lösungen 360, and then to the Global Reach England payment platform.<sup>85</sup> The bank account of Lösungen 360 was with Deutsche Bank, and one suspects that the Global Reach payment platform itself worked off of a master account, also with Deutsche Bank.

#### CONCLUSION – PART 1

The extradition of Samir Azizi to Germany on MTIC VAT fraud offences is neither the end of the Azizi story, nor is it the end of the German effort to curtail the fraud in Germany. Much more seems just to be just under the surface.

We have yet to see the case developed against the Deutsche Bank, but it is surely being prepared. We have yet to see the "master mind" identified, although Adam Hicks (probably not the right name) appears to be closer to this person than Samir Azizi is. We also do not have very good information on the terrorist connection, and how weaknesses in the EU VAT have provided them with funding.

What we do see very clearly from the Azizi extradition is how easy it is to find very young individuals who can be used to carry out this fraud. This is not at all what one would have expected to see in an academic paper about multi-million dollar VAT fraud in the EU. Samir Azizi and the friends and family he recruited are a long way from the hardened (mafia-type) criminals we would have expected to see.

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<sup>84</sup> *RFE* at 50.

<sup>85</sup> *RFE* at 56.