

Dope, Inc. Bank Caught; New Monetary System Now!

by Nancy Spannaus

July 23—It was an extraordinary scene, especially for the U.S. Congress, where bankers are used to having Congressmen and Senators kiss their feet. Several executives of the Hongkong and Shanghai Banking Corp. (now known as HSBC), joined by a number of government regulators, appeared July 17 before an all-day hearing of the Senate Committee on Homeland Security and Governmental Affairs (SHSG) and the Permanent Subcommittee on Investigations (SPSI), to face charges of their role in the criminal activities of money-laundering for drugs and terrorism, which had just been published in a 335-page report by those two committees. Gone was the usual arrogant attitude common to banking witnesses. The bankers especially were bending over backwards to try to appease their accusers.

The scene was all the more striking since the subject under discussion—bankers running the drug trade and terror—has been identified almost solely with the name of Lyndon LaRouche for more than three decades.

Indeed, the political environment in which the major London-Wall Street banks such as HSBC are operating, has changed dramatically. In the face of the accelerating failure of the London-run trans-Atlantic financial system, a powerful faction from the City of London itself has decided to pull back from the brink of financial and thermonuclear Armageddon by calling for the

immediate reinstatement of FDR-style Glass-Steagall banking separation, in cooperation with the United States. Not surprisingly, the very same institutions calling for Glass-Steagall have simultaneously taken the offensive in exposing, and calling for the prosecution of, such financial criminal activities as the Libor-rate-fixing and drug-money laundering by the likes of HSBC.

The U.S. Senate committees have been operating on their own track, however, and, during more than a year of investigation, they have amassed irrefutable evidence of the top bankers' involvement in crimes such as money-laundering for drugs and international terrorism. In leading off the hearing, SPSI Chairman Sen. Carl Levin (D-Mich.) clearly stated that, while the study he was presenting focused on the case of HSBC, HSBC was only one among many major international banks that have been documented to be up to their eyeballs in similar criminal activity—with Wachovia, Citibank, and Riggs Bank being three notable cases.

Equally importantly, Senator Levin and the ranking Republican on the Committee, Tom Coburn (Okla.), turned the spotlight on the criminal collusion with the money-launderers by government regulators, particularly those in Tim Geithner's Treasury Department, de facto adding another count to the bill of indictment



This small stash of cash was found at druglord Zhen Ye Gon's residence in Mexico when authorities arrived on July 24, 2007. Zhen was a client of HSBC's Mexican affiliate, HBMX.

against the Obama Administration. Geithner, and his boss Obama, are exposed as criminally complicit in facilitating the spread of deadly drugs and terror. They must immediately be removed from power.

A Drug-Money System

While the Senators did not openly threaten their witnesses with jailing for their crimes, Senator Levin clearly rattled the HSBC witnesses by raising the possible lifting of HSBC's operating license in the United States. Without access to the U.S. market, in which it even has the special privilege of being able to transfer physical U.S. dollars, HSBC's criminal career in fostering the deadly drug trade and terrorism mayhem would be severely crippled. Nor was criminal prosecution ruled out.

But, welcome as the sight would be of leading international bankers being frog-marched off to prison, at long last, the implications of the exposure of HSBC's role in drugs and terror reach far beyond law enforcement. Authorities on the drug trade, ranging from former UN Office on Drugs and Crime director Antonio Maria Costa to Russian anti-drug "czar" Viktor Ivanov, have testified to the fact that the *only* reason that the world financial system has not collapsed over recent years, is its infestation by drug money. The post-Bretton Woods system is built on corruption and fraud.

"I cannot think of one bank in the world that has not been penetrated by mafia money," Dr. Costa told *Financial Times* journalist John Paul Rathbone, according to a July 21 article in that paper. In his April 12, 2012 interview with [EIR](#), published in our April 27 issue, Dr. Costa also made clear that it was the *banks* that were seeking out the criminal monies, not the other way around. *EIR's* studies indicate that more than a trillion dollars in laundered proceeds of drugs alone, is likely involved.

In other words, it's the entire world financial system that is rotten to the core, not just a few banks; it must be *replaced* by measures that begin with Glass-Steagall banking separation, but then

proceed to the establishment of national banking, fixed exchange rates, and massive great projects, such as NAWAPA XXI in the United States.

Who Was in the Dock?

The July 17 hearing featured 11 witnesses, six from HSBC and five from the U.S. government agencies assigned to enforce the law against money-laundering. No single witness came off looking good.

Let's start with HSBC.

Take the testimony by **Paul Thurston**, the Chief Executive of Retail Banking and Wealth Management at HSBC Holdings in Hong Kong. Thurston had the misfortune to have been deployed to HSBC's Mexican branch in 2007-08, at the point when, according to Senator Levin's account, HSBC's anti-money-laundering director reported, "There were allegations of 60% to 70% of laundered proceeds in Mexico going through HBMX. He [the HSBC director] also stated that HBMX executives didn't care about anti-money-laundering controls."

Given that 80% of all drugs entering the U.S. are transhipped through Mexico, HSBC's 60-70% share of laundered money is no small matter. Also, HSBC has been the fifth-largest bank in Mexico for over a decade, so its role in money-laundering is disproportionately large, and points to the fact that it remains the central

bank of Dope, Inc., as LaRouche charged 34 years ago.

Thurston didn't have much to say about this allegation—nor could he defend the fact that, in the same period, it took years for HSMX to close accounts suspected of involving money laundering.

Senator Coburn went after the fact that just when Thurston began his tenure in Mexico, one of HBMX's clients was Zhenli Ye Gon, "a reported drug lord who got caught selling precursor chemicals for methamphetamine production to La Familia and the Sinaloa cartels." Asked what he had done about this flagrant violation, Thurston stammered and finally had to admit that the Mexican authorities had found HSBC to be one of the slowest banks to respond to their inquiries about money laundering! (See *Documentation*.)

David Bagley, head of Group Compliance at HSBC, also found himself with no more than a figleaf for defense. He took the occasion to announce his resignation from his position as head of Compliance. It is not clear whether he is leaving the bank altogether, or only his position.

Particularly slimy was the testimony of **Stuart A. Levey**, currently the chief legal officer of HSBC. Levey had only been at HSBC for six months, coming to the position, appropriately, from serving as the person in charge of the terrorism financial division at the Treasury Department (2004-07). In that position, Levey was in charge of putting the screws on nations such as Iran, by enforcing murderous sanctions. Now, he has apparently been deployed to "clean up" HSBC's record of evading sanctions, which they were charged with doing in the cases of Iran, North Korea, and Sudan.

While falling back constantly on the fact that he had had such a short tenure at HSBC, Levey was reduced to stuttering about questions of reporting the existence of accounts in the names of known, or suspected, terrorists to the relevant Treasury Department officials.

Who's Minding the Store?

On the hotseat for the lack of enforcement against HSBC, in the face of massive evidence of failures to



HSBC comes from a long historical line of banks making millions from the drug trade, including its predecessor, HongShang, established in 1865. Shown here is the founding of the granddaddy of them all, the British East India Company, in London in 1599. Illustration by Maurice Greifenhagen, 1908.

comply, were the Department of the Treasury and its subsidiary, the Office of the Comptroller of the Currency. While the trail of evidence goes back to the George W. Bush Administration (if not before), the evidence of oversight laxity, which looks more like involvement in a criminal conspiracy, over the last three and a half years, once again goes to none other than Obama's Treasury Secretary, Timothy Geithner.

David S. Cohen, Treasury Undersecretary for Terrorism and Financial Intelligence, was the first witness, and he began with his statement of the problem:

"Although it is difficult to measure with precision, by any estimate the total amount of dirty money moved through and concealed within the U.S. financial system is now in the hundreds of billions of dollars annually. The sheer volume of money moving through the banking system in particular makes banks both the most vulnerable financial institutions for money laundering and terrorist financing, and the most important line of defense against money laundering and terrorist financing."

Sounds fine? Look more carefully. Cohen is saying that the *banks* are the first line of defense—not the government.

The fact that Cohen means this statement to take his department off the hook, became clearer in later testimony. Pressed by Senator Coburn on the potential for

successful enforcement, Cohen squirmed. “I don’t think anyone expects to ever achieve a financial system where there is absolutely no money laundering,” he stated. But the banks should “implement robust anti-money-laundering programs across the range of their activities that is [sic] appropriately tuned to the risk that they face.”

Coburn was not buying, and pressed Cohen on whose responsibility is it to make the banks do the right thing. “All of our responsibility,” Cohen said. No, said Coburn, it’s specific to Treasury. Well, I only write the rules and can’t make sure they’re enforced, Cohen said.

Testimony from the Office of the Comptroller of the Currency (OCC) was even more devastating. **Grace Daily**, former Deputy Comptroller for Large Bank Supervision of the Comptroller of the Currency (2001-10), was one of the bureaucrats who gave HSBC’s U.S. branch (HBUS) a clean bill of health—after it had been under special enforcement—in 2006. She had to admit that the OCC had overlooked over 20 “Matters Requiring Attention” (MRAs) (suspicion of money laundering) in order to recommend lifting the sanction. Yet after HBUS was cleared in 2009, it still had 83 MRAs, “more than any other national bank”!

Thomas Curry, Comptroller of the Currency, has only been in office for three months, and therefore found it easy to get off the hook, by generalizing about “changing the culture” of the OCC.

Deputy Chief Counsel **Daniel Stipano** had a more difficult time. He has been in the OCC working on enforcement for 27 years! Stipano was constantly evasive. Asked by Levin about HSUS having 57 offshore banks which have come under suspicion for illegal activity, for example, he said he couldn’t discuss details because OCC was in the midst of a civil money penalty proceeding.

Senator Coburn’s conclusion was direct: that the hearing had established that there was “some complicity with OCC and HSBC.” What was going to be done about it was not clear.



Just as in the British Opium Wars of the 19th Century, financing and pushing mind-destroying drugs today means menticide and genocide. Shown is the first British Opium War against China, 1841. Painting by Edward Duncan, 1843.

The Real Crimes

Now, step back a minute from the details of this hearing, and look at the real crimes that are being talked about. What the bank money laundering is facilitating, and even organizing, are horrifying crimes, from the destruction of generations and lives with the drug trade, to the financing of terrorist assaults that have taken the lives of thousands, to murder “by the pen”—the denial of necessary funds to vital social and medical services because of financial transactions like the fixing of interest rates, diversion of funds, and the like.

Start with the *drug trade*. Just as in the British Opium Wars of the 19th Century, the financing and pushing of mind-destroying drugs is menticide and genocide on a scale otherwise unrivalled. Nations such as China and Colombia have to some degree “come back” from the assault, but many others—today, most notably, Mexico, Afghanistan, and Russia—are being battered by the expansion of the drug “business.” The crime cannot be measured in the trillions of dollars involved in the drug-pushing, money-laundering business; it has to be measured in the toll in human lives, and human futures.

HSBC has not been the only global bank to carry out this crime, but it was a pioneer, and it continues to do so.

This crime cannot be stopped without the restoration of national sovereignty—which is also a precondition for the establishment of national credit systems

that can build Great Projects, like NAWAPA XXI.

Then there's *terrorism*, on which the Levin-Coburn report contains significant evidence about HSBC financing. Most notable is the role that bank has played in providing funds for al-Qaeda. The committee documents that for more than 25 years, HSBC provided banking services to Al Rajhi Bank, *even after* evidence emerged that the bank, including one of its founders who was an early financial benefactor of al-Qaeda, was funding terrorism. In 2005, when the bank was indicted, HSBC Group Compliance recommended that HSBC affiliates sever ties with it; some HSBC affiliates disregarded the recommendation, while others terminated their relationships but protested and urged HSBC to reverse its decision. Four months later, HSBC Group Compliance reversed itself and announced that all HSBC affiliates could do business with the bank. On Dec. 1, 2006, HBUS Compliance agreed to allow HBUS to reinstate the relationship and resume supplying U.S. dollars to Al Rajhi. This was after Al Rajhi had threatened to pull all of its business from HSBC, if the U.S. banknotes business were not restored.

To put icing on the cake, HSBC was the bank which took over basically all the Saudi bank accounts in the United States, when Riggs National Bank was shut down after being exposed for its role in conduiting Saudi money for terrorists.

Drugs and terrorism are one kind of murder; murder by economic policy is another. The major Wall Street/London banks have specialized in the latter, with their demands for bailouts of their gambling debts, sabotage of sovereign oversight, and just plain looting. Here we once again find HSBC in the center of the process, currently identified with the Libor scandal of interest-rate fixing. HSBC was one of the one to two dozen banks involved in setting the Libor



This magazine of the LaRouche movement (November 1981 issue shown) led the fight against the drug banks' takeover in the United States, notably HongShang.

rate, in ways that ripped off municipalities, unions, and untold others around the world.

What Must Be Done

As Lyndon LaRouche has underlined for decades, there is no way to “reform” the current rotten banking system. It must be totally replaced, with a system based on the primacy of the sovereign nation-state, and the abandonment of monetarism. Value is determined by the contribution of an activity to the potential for human development in the future, through an increase in energy-flux density—not markets or money.

Thus, while the criminals who run HSBC, and the other banking institutions that have set the pace on drug and terror

money-laundering, should indeed be prosecuted and go to jail, that is not enough. Immediately, measures to replace the current system have to be taken.

They start with Glass-Steagall banking separation—dumping the gambling debts, and freeing governments and the commercial banking system of that burden.

But that will leave too little value in the system; after all, we have been producing either increasingly less, or increasingly worthless, “value.” So the only way we can restart the productive process, is by the immediate re-institution of a *credit system*, along the lines of Alexander Hamilton’s national banking system, and revived in various forms since then.

Yet a credit system is effectively meaningless without a Great Project for economic development, a project that will employ millions of people immediately to transform and upgrade the environment of the Earth and the Biosphere for future generations. Today, that Great Project is NAWAPA XXI, the bio-engineering project for moving water from water-rich Alaska into the Great American Desert, and beyond—into the necessary links with Russia to the west, and Mexico to the south.