

Will HSBC Scandal Sink Wall St.'s Obama Presidency?

by Jeffrey Steinberg

Feb. 23—Sen. Charles Grassley (R-Iowa), chairman of the Senate Judiciary Committee, plans to hold a vote on Feb. 26, on the confirmation of Loretta Lynch as Attorney General of the United States, replacing Eric Holder, who is retiring. The stakes in the Lynch vote go far beyond the issue of who will be the next top law enforcement officer of the United States. At stake is the Obama Administration's unbroken policy of protection for Wall Street at all costs—including the lives of countless Americans whose future is being destroyed as victims of illegal drugs and terrorism.

Lynch, the U.S. Attorney for the Eastern District of New York, was one of the Justice Department officials to negotiate the "Deferred Prosecution Agreement" with HSBC, the British banking giant that has been at the center of a global money-laundering, tax evasion, and criminal enterprise scandal, involving the world's biggest drug cartels and terrorist organizations.

The Lynch nomination blew up in early February, when CBS-TV's *Sixty Minutes* aired a documentary segment on HSBC's central role in a global tax-evasion scheme involving billions of dollars and thousands of wealthy individuals—including hardened criminals—from over 200 countries. It turns out that Justice Department officials were informed about the HSBC tax-evasion program, run out of its private Swiss bank unit in Geneva, by no later than 2010.

Swiss police raided the Geneva offices of the HSBC private bank in early February on charges that the bank

was involved in "aggravated money laundering" and other crimes, bringing the bank's lurid history to light. This action comes on top of criminal investigations already underway in Argentina and India, and has sparked renewed attention to HSBC's shady practices in other places as well, such as Great Britain itself (see box).

Yet, when Lynch and other top Justice Department officials worked out the deferred prosecution deal with HSBC in 2012, based on other evidence of the bank's role in laundering trillions of dollars in drug money from the Mexican and Colombian cartels, as well as from al-Qaeda and other Saudi-funded terrorist organizations, there was no indication that they factored in the Swiss documentation of tax evasion.

Senators Demand Details

The *Sixty Minutes* revelations drew an angry response from Sen. David Vitter (R-La.), who demanded that Lynch answer a new set of questions, centered on what she knew about the tax scam when she negotiated the deal with HSBC, and who else in the DOJ was aware of the further crimes. On Feb. 19, Vitter wrote to Attorney General Holder, demanding detailed answers. He submitted nine questions to Lynch the same day.

In his letter to Holder, Vitter wrote: "As the Senate considers the nomination of the next Attorney General of the United States, questions remain unanswered about potentially lax treatment of HSBC Bank USA (HSBC) by the Department of Justice. The handling of

the case is particularly important given the insight it gives the Senate into the decisions made by Loretta Lynch, who was in charge of the US Attorney's office and the case at the time.... If media reports are true, knowledge of HSBC shielding clients from US tax liabilities was known to the Department of Justice at least as early as April 2010, yet no criminal charges have ever been brought against HSBC for tax evasion. Moreover, in 2012 the US Attorney's Office run by Ms. Lynch negotiated a Deferred Prosecution Agreement (DPA) with HSBC that allowed HSBC to admit guilt for crimes of money laundering and facilitating transactions with sanctioned countries, but avoid criminal prosecution for those infractions."

Vitter gave the Justice Department a deadline of Feb. 23 to produce all documents in the DOJ or Internal Revenue Service possession on the HSBC tax-evasion scheme, including "copies of all documents and information relating to why DOJ chose not to prosecute HSBC for tax evasion, fraud, money laundering, facilitating transactions with sanctioned countries or any other crimes."

The Protection Racket

Although the "too big to jail" policy toward Wall Street's megabanks did not begin with President Obama, his Administration has been consistently covering up serious crimes by the major Wall Street, London, and European banks from the outset. Across the board, the Wall Street too-big-to-fail banks have been given a free "stay out of jail" pass, despite conclusive evidence that the leading Wall Street and London banks are in the top echelon of global organized crime, structuring money-laundering and tax-evasion schemes, no questions asked, for any and all criminal enterprises big enough to afford their fees.

The central role played by the world's largest banks, in trillions of dollars a year in criminal activity, is no secret. Back in the mid-1990s, U.S. intelligence authorities confirmed to House Banking Committee senior staffers that virtually all the big Wall Street banks were engaged in fierce bidding wars for the business of the Latin American drug cartels. Through U.S. government agencies like FINCEN (Financial Crime Enforcement Network), virtually all global bank transactions can be documented. There is no shortage of evidence of the collusion between the biggest Wall Street and London banks, and the world's biggest and most violent terrorist organizations. The issue is an un-

willingness to prosecute the biggest criminal syndicate in the world.

In Congressional testimony in early 2013, Attorney General Holder candidly admitted that his department, as policy, has refrained from criminal prosecutions of top Wall Street bankers, arguing that the "collateral damage" of such prosecutions could bring down the global financial system. The policy of non-prosecution has come to be known as the "Holder Doctrine."

Now, as the result of the HSBC cases, that doctrine, and the overall policy of the Obama Administration of putting the interests of Wall Street above all others, is coming to light.

Time To Bust HSBC

HSBC is in the center of most of the collusion between the big banks and the big drug and terror organizations. From an historical standpoint, this is lawful (see following article). From its inception in 1865 as the Hongkong and Shanghai Banking Company, HSBC has been the clearinghouse bank for the world's opium trade.

In 2012, the Senate Permanent Investigations Subcommittee conducted an exhaustive investigation into HSBC, based, in part, on testimony from whistleblower John Cruz. The Senate report detailed a pipeline of dope money between the bank's Mexico City and New York City branches. The investigation revealed correspondent relations with Saudi banks, including the Al Rajhi Bank, which was named as part of the "Golden Chain" of Persian Gulf financial institutions and "charities" behind the bankrolling of al-Qaeda. Sen. Carl Levin (D-Mich.), who chaired the Subcommittee, told reporters on July 16, 2012—the day the report was released—that he was turning over the evidence to the Justice Department for criminal prosecution and for consideration whether HSBC should be stripped of its charter to do business in the United States.

On Dec. 10, 2012, the Justice Department and HSBC reached the Deferred Prosecution Agreement, avoiding any criminal prosecution in the biggest drug and terror money-laundering case in history. On Jan. 29, 2013, Sens. Sherrod Brown (D-Ohio) and Grassley wrote an angry letter to Holder, stating: "Wall Street megabanks aren't just too big to fail, they're increasingly too big to jail. Already, the nation's six largest megabanks enjoy what amounts to taxpayer-funded guarantee by virtue of their size, making it harder for

regional and community banks to compete. Now, these megabanks also enjoy some impunity when they violate the law by laundering money or illegally foreclosing on homeowners. Wall Street should pay the full price of its wrongdoing, not pass the costs along to taxpayers.

“The best deterrent to crime is to put people in prison. That includes those at powerful banks and corporations. Unfortunately, we’ve seen little willingness to charge these individuals criminally. The public deserves an explanation of how the Justice Department arrives at these decisions.” Grassley went on to declare that the failure to prosecute HSBC officials was “inexcusable.”

A showdown moment has arrived, not just for Loretta Lynch and Eric Holder. The policy of covering up drug-money laundering, terrorist financing, and tax

evasion is too serious a matter to have been left to the Justice Department alone. As recently as the savings and loan scandal of the late 1980s and early 1990s, thousands of bankers, including such well-known figures as Charles Keating, Ivan Boesky, and Michael Milken, were sent to jail after criminal prosecutions and/or plea agreements.

A clear pattern has emerged with the Obama Administration of deferring to Wall Street, British, and Saudi interests. The failure to prosecute HSBC is part of the same top-down pattern as the refusal to declassify the 28 pages, from the original Joint Congressional Inquiry into 9/11. Vital American public interests are sacrificed to preserve treacherous ties with London and Riyadh. HSBC is the largest of the City of London banks, and, as such, is a crown jewel of the British monarchy.

Prosecuting a Global ‘Criminal Industry’

Feb. 23—HSBC is the target of multiple investigations, and in some cases, prosecutions, in numerous nations, relative to its role in tax-evasion schemes. As Stephanie Gibaud, former Chief of Protocol at Union Bank of Switzerland, put it in a Feb. 17 interview in *Tiempo Argentino*, “It’s a dirty business. We have to understand that we are dealing with a criminal industry.”

Here is a rundown of some of the cases:

Argentina: Argentine law enforcement authorities have raided HSBC’s Buenos Aires headquarters three times in the past year, and courts have indicted its executives for participating in a “criminal enterprise,” involving money laundering and tax evasion. While there has been foot-dragging by the Judiciary, Judge María Verónica Straccia, in charge of the investigation, has now officially requested that HSBC’s Geneva branch forward the relevant information on unregistered Argentine accounts to her. The goal, says the head of Argentina’s tax agency, is to repatriate \$3 billion to Argentina.

Switzerland: Swiss authorities, led by Attorney General Olivier Jornot and prosecutor Yves Ber-

tossa, raided the Geneva offices of HSBC Private Bank SA Feb. 17, as part of their criminal probe into “aggravated money laundering,” by the bank and by “persons unknown.”

“We are looking for anything and everything we can find, documents and files,” prosecutors said, noting that the action came in response to recent Swiss Leaks revelations on the bank’s illegal activities, facilitating tax evasion by wealthy clients, among other things.

Great Britain: Bloomberg reported Feb. 20 that the Parliament Treasury Committee, chaired by Andrew Tyrie, has scheduled a hearing Feb. 25, at which HSBC Holdings’ chairman Douglas Flint will be questioned about his role as the bank’s finance director at the time that the bank was helping customers evade taxes through its Geneva unit. On Feb. 10, Bloomberg had reported that the hearings will delve “into allegations that HSBC Holdings Plc held Swiss accounts for drug cartels and tax evaders.”

A scandal has also erupted over the fact that Her Majesty’s Revenue and Customs office failed to investigate HSBC when it received the evidence in 2010.

India: The Press Trust of India reported Feb. 16 that the Modi government plans to charge HSBC India with abetting tax evasion by Indian account holders, by assuring customers that details of their accounts would not be reported to Indian tax officials.