

Fraud, Drugs, Terror: Will HSBC Be Stopped?

by an EIR Research Team

March 14—It's lawful that the fortunes of drug-money-laundering Hongkong and Shanghai Bank (HSBC) would rise and fall with those of its patron, the British oligarchy. At present, it appears that both are hurtling toward the rocks.

The bankruptcy of the global financial system presided over by the City of London, and its Wall Street junior partners, is an open secret—and contrasts sharply with the areas of real economic growth centered in Asia. For more than a century, HSBC's financial skullduggery has helped cover over the problems of its patrons, filling its coffers with ill-gotten gains from drugs, arms sales, and financial manipulation. But now, HSBC has run into some serious problems, which threaten to pull down both the bank itself, and some of its most prominent protectors.

On March 13, the French financial prosecutor's office demanded that HSBC's Swiss private bank face a criminal trial for tax evasion. This criminal complaint, according to the *Business Insider* website, brings to eight the number of official investigations into HSBC's tax-dodging schemes. Those are in Argentina, Brazil, Mexico, Denmark, Belgium, France, India, and Switzerland. And that doesn't count ongoing hearings in the British Parliament and the potential for a new investigation leading to prosecution in the United States, brought on by the spotlight on a 2012 Deferred Prosecution Agreement (DPA) made between the U.S. Justice Department and HSBC, by the nomination of U.S. Attorney for the Eastern District of New York Loretta Lynch for U.S. Attorney General.

Lynch, who signed off on the DPA, has come under fire by Republicans *and* Democrats, for having ignored evidence of HSBC's massive tax evasion when she deferred prosecution of the bank. That decision—as well as her nomination—

is now in jeopardy, with potentially disastrous consequences for HSBC.

An Open and Shut Case

The case for criminality at HSBC, whose history traces back to Britain's 19th-Century opium wars against China, is open and shut.

In 2012, Sen. Carl Levin's (D-Mich.) Senate permanent Subcommittee on Investigations published a 300-page report detailing HSBC's central role in laundering Mexican and Colombian drug money between Mexico City and New York branches of the bank. The report also dissected HSBC's role in laundering terrorist



White House

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HSBC, formerly Hongkong and Shanghai Banking Corp. of Dope Inc. notoriety, now faces eight official investigations into its tax-dodging schemes, according to Business Insider.

funds, in league with Saudi banks, and in bypassing sanctions against Iran.

The committee documented 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. After Al Rajhi bank was indicted in 2005, HSBC Group Compliance originally recommended that HSBC sever ties with Al Rajhi, but within four months, that decision was reversed, and HSBC again supplied U.S. dollars to the terrorist-funding bank.

HSBC was the bank that took over basically all the Saudi bank accounts in the U.S., when Riggs National Bank was shut down after being exposed for its role in conduiting Saudi money for terrorists.

Meanwhile, in Europe, an employee at HSBC's private bank in Switzerland, Herve Falciani, had provided massive evidence on money laundering and tax evasion to the French authorities in 2008. The French shared the data with American and British law enforcement agencies, among others.

Both the American and British authorities apparently chose to ignore that evidence—until now.

Fireworks in Britain

In late February, Lord Ken McDonald, the Director of Public Prosecutions in the U.K. until 2008, publicly submitted a legal opinion on documentation of tax evasion abetted by HSBC, which opinion could be summed up as, "Prosecute the bank." McDonald's opinion was

drafted for the tax justice group SumOfUs, which will use it in a suit to force Her Majesty's Revenue and Customs (HMRC) to prosecute HSBC (originally Hongkong and Shanghai Banking Corp.). McDonald says that HMRC's decision not to prosecute the world's biggest bank was "seriously legally flawed."

"It seems clear, from the evidence we have seen," McDonald wrote, "that there exists credible evidence that HSBC Swiss and/or its employees have engaged over

many years in systematic and profitable collusion in serious criminal activity against the exchequers of a number of countries. It seems equally clear that this criminal activity has taken place within the context of an institutional cynicism that is deeply shocking.

"The corporate and wholesale nature of HSBC Swiss' apparent involvement in what amounts to grave cross-border crime, makes it all the more obvious that the relevant evidence, once it came to the attention of HMRC, should have been the subject of urgent and sustained criminal investigation.

"It is inescapable that this investigation should have included a rigorous inquiry to establish whether there was any criminal complicity on the part of HSBC Holdings plc in the U.K. into this category of wrongdoing on the part of its Swiss subsidiary. In our view, any sufficient evidence of such complicity would be virtually certain to warrant prosecution in the public interest."

Adding to the embarrassment around the bank, it was revealed by the *Guardian* that the CEO of HSBC in London had his own secret Geneva account in the name of an offshore company he controlled, Worcester Equities, Inc.

On March 9, the Public Accounts Committee of the British House of Commons convened a hearing to question a number of top HSBC executives about the Swiss tax evasion scheme. They chose, however, *not* to call Lord Stephen Green, who was board chairman and CEO of HSBC until 2009.

Labour MP Margaret Hodge raked three HSBC officials over the coals for their incompetence, or worse.

And in Washington?

Meanwhile, the protectors of HSBC in the United States are also coming under fire. On the front lines is Loretta Lynch, whose nomination passed the Senate Judiciary Committee on Feb. 26 with three Republicans joining the Democrats, and whose nomination is scheduled to come up on the Senate floor this week. While many Republicans have opposed Lynch, citing her support for Obama's Executive ruling on immigration, the issue of her allowing through the Deferred Prosecution Agreement on HSBC has also been a major topic of discussion.

Taking the point for the Republicans in attacking the deferred prosecution of HSBC have been Sens. David Vitter (R-La.) and Charles Grassley (R-Iowa). One question they asked was: Why did she allow the DPA to go forward, when the Justice Department had been informed, *in 2011*, before the 2012 report, of HSBC's criminal behavior in abetting tax evasion?

Lynch defended herself by saying that she had been completely unaware of any evidence of the HSBC tax evasion stemming from the Swiss whistleblower case.

While that assertion seems questionable, Lynch's decision not to prosecute—or to shut down HSBC's li-

cense, as Senator Levin had proposed—is perfectly in line with the stated policy of the Obama Administration. Attorney General Eric Holder has forthrightly stated that the Department did not intend to criminally prosecute banks and bankers, if such prosecution would create “collateral damage” to the shaky global financial system. Instead, the Obama Administration has stuck to negotiating fines in civil cases against the banks—and not a single major banker has gone to jail.

In continuing this policy, Obama has counted on the sheepish support of the Democrats in the Congress, who have gone along with protecting Wall Street. On the basis of this track record, Lynch—and implicitly, the tolerance of HSBC's criminality—is expected to get a positive result in the Senate vote, if only by a bare majority.

Will the Democrats Break?

However, a statement issued on March 13 by the “progressive” Democratic group American Family Voices (AFV), which is linked to Sen. Elizabeth Warren (D-Mass.), may indicate a break in that pattern. AFV previously played a role in blocking the nomination of Wall Street shill Larry Summers for Federal Reserve chairman.

“Wall Street bankers have already proven that they will continue to flout financial regulations because they know that the [Department of Justice] will not pursue charges. It's time to prosecute bankers for criminal activity, period,” said Mike Lux, president of the group.

In a Facebook announcement and a citizens' petition campaign that generates letters to Congress, the group said:

“America needs a Justice Department committed to prosecuting banks that break the law, regardless of their size or influence. AFV opposes the nomination of Loretta Lynch to Attorney General because we do not support a continuation of Eric Holder's Too-Big-To-Jail philosophy, a consideration Eric Holder and his deputy, Lanny Breuer, admitted to in their decision not to prosecute bankers for the 2008 meltdown.

“In 2012, the Department of Justice reached a deferred prosecution agreement with the British bank HSBC, declining to prosecute any of its executives for their egregious crimes—laundering money for Mexican drug cartels and terrorist organizations. That deal was negotiated by the current nominee to replace Eric Holder at the Justice Department, Loretta Lynch. We call on Congress to reject Lynch and overturn the deferred prosecution agreement for HSBC.”

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