Greece Tax Fraud Scandal. Widespread Corruption Linked to Private Swiss Bank Accounts

By Tom Burghardt
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Earlier this month, Greek investigative journalist Kostas Vaxevanis was acquitted by an Athens court of charges that he breached data privacy laws with the publication of a list of tax cheats and money launderers.

Vaxevanis, who publishes the investigative news magazine Hot Doc, faced two years in prison and a €30,000 ($38,000) fine over that publication's outing of 2,000 Greeks who hold secret banks accounts at HSBC's private banking arm in Switzerland.

Known as the "Lagarde List," data on high-profile offenders had been transferred to Greek authorities by Christine Lagarde, the former French Finance Minister and current head of the International Monetary Fund (IMF), where it languished for two years.

While the Greek people are forced into abject poverty under an "austerity" regime designed to enrich their corporate masters, a criminal class of political overseers backed by brutal police and rampaging neo-Nazis, billions of euros were shielded as successive "left" and "right" governments failed to act.

Insider Leaks

The Vaxevanis arrest was unique in one respect: unlike official probes into drug money laundering, tax fraud and terrorist financing by major banks, explosive allegations of widespread financial corruption was kick-started by a journalist's investigative digging despite government complicity and cover-up.

And as with other major disclosures which have come to light in the last decade–from the Iraq-Niger uranium fraud, the Downing Street Memo or spying on UN officials by Western intelligence services–Hot Doc's revelations began with insider leaks from a whistleblower.

The source of Madame Lagarde's List was Hervé Falciani, a computer services specialist with HSBC Private Bank (Suisse) N.A., who supervised data migration on individual accounts.

Increasingly troubled by the bank's dubious practices, for two years beginning in 2006, he mirrored account information onto his laptop.

In 2008, an international arrest warrant was issued by Swiss authorities; however, they committed a serious error. Falciani, a dual French-Italian citizen whom neither country would extradite, was picked up in Nice. When French prosecutors, acting on behalf of Swiss police, searched his home and seized his laptop, they discovered files on 130,000 alleged tax evaders.

Rather then arresting Falciani, they opened an investigation into the alleged tax evaders. When French authorities let it slip to the media that had files on some 3,000 Swiss HSBC account holders and that they would prosecute, they recuperated some €1.2 billion ($1.5bn) in unpaid taxes from profligate citizens.

In the interim, a diplomatic row ensued; Switzerland accused France of using stolen data and the French countered, threatening to have Switzerland added to the OECD Tax Haven Black List. Over Swiss objections, then Finance Minister Lagarde shared the data with tax officials in cooperating countries.

Arrested in Barcelona on July 1, Swiss authorities are demanding Falciani's extradition to Switzerland where he faces charges of data theft and violation of bank secrecy laws.

If convicted, Falciani faces a three-year prison term and a fine that could top €200,000 ($253,000).

Revelations contained in those leaked files touched off major probes across Europe. In Italy, Italian Treasury officials recovered some €570 million ($730m) from HSBC account holders.

In Spain, the high-profile investigation into the finances of the banking clan led by Emilio Botín, the wealthy Chairman of the Santander banking dynasty caused a sensation.

And why wouldn't it? Like Greece, Spain's working class is confronted by demands from international lenders to impose draconian austerity measures, including some €37 billion ($46.9bn) in budget cuts in the face of a severe recession and record-high unemployment.

Last spring, *El País* reported that "Botín, his daughter Ana Patricia Botín (the head of Santander's British banking unit), his brother Jaime and five of his brother's children were among the names of 659 Spanish residents who hold secret Swiss accounts at HSBC Private Bank, with a combined value of some six billion euros."

Confronted by public outrage and threats of criminal prosecution by Spanish authorities over allegations of tax fraud, the Botín clan caved-in and ponied-up €200 million ($253m).

In a report last summer on Switzerland's extradition request, *El País* reported, "now that Falciani is being held in a Spanish jail, the High Court is faced with a legal problem, according to judicial sources."

Why might that be the case?

> “The information coming from Falciani’s database has already been used to prosecute Spaniards and no one in Spain has presented a complaint against the former HSBC computer analyst for ‘stealing’ private bank records.”

The most serious hurdle which Swiss authorities must overcome are that allegations against Falciani are not considered criminal offenses in Spain.

> “In fact,” *El País* noted, “the Law for the Prevention of Money Laundering states that banks have the obligation to report any illicit activities. This might not apply to Falciani because he was only an employee, but the results from the hundreds of investigations opened in Spain because of his list prove that he complied with the law.”

The same cannot be said for HSBC, Santander or other financial giants considered “too big to fail, or jail.”

After his July arrest, *The Daily Telegraph* reported Falciani as saying that “he took the customer details in order to expose tax evasion among HSBC’s customers,” considering it his “civic duty.”

> “If you discover that…offshore structures have no other aim than to avoid taxation and that the sole legitimacy of these structures is that purpose,” he asked, “what would you do?”

This wouldn’t be the first time the hammer of “justice” came crashing down on a financial insider who exposed gross financial chicanery, while state officials allowed perpetrators to walk.

Moves against Falciani by the Swiss government are reminiscent of the U.S. Justice Department’s 2008 prosecution of UBS whistleblower Bradley Birkenfeld.

A former UBS banker in Switzerland, Birkenfeld blew the lid off a massive scheme by the bank to illegally hide 19,000 U.S. client accounts squirreled away in dodgy offshore tax havens for purposes of money laundering and tax fraud.

The IRS has calculated that the total cost in lost revenue stolen from the American people by wealthy elites may be in excess of $100 billion annually.

This however, pales in comparison to the so-called “tax gap”–the gap between taxes owed and collected. Former IRS Commissioner Charles Rossotti told PBS *Frontline* nearly a decade ago that the “biggest single source” of the problem are abusive offshore tax shelters which account for an estimated $250 to $300 billion in uncollected revenues; the equivalent of a 15 percent surtax on everyone else.

A U.S. Senate panel at the time, recalling their recent investigation of HSBC, accused UBS and Liechtenstein’s LGT Group of marketing tax fraud strategies to rich Americans. In 2009, UBS agreed to pay $780 million in fines and the Treasury Department recovered some $20 billion in unpaid taxes. However, not a *single* UBS official was criminally prosecuted, or even charged, the result of a sweetheart “deferred prosecution agreement” negotiated with the Justice Department.

Such deals result in little more than a slap on the wrist for well-connected offenders and are considered to be a small cost of doing business.

Readers will recall that the 2010 deferred prosecution agreement cobbled together between the Justice Department and Wachovia Bank led to a microscopic $160 *million* fine despite strong evidence that the bank, now owned by Wells Fargo, as *Bloomberg Markets* magazine revealed, had laundered upwards of $378 *billion* for Colombian and Mexican drug cartels.

As for Birkenfeld? Despite his testimony and cooperation with the federal government in exposing massive fraud by UBS, he was tried and sentenced to 40 months in prison. He pled guilty in 2008 for helping Florida real estate billionaire Igor Olenicoff stash more than $350 million offshore according to Olenicoff's *Forbes* profile.

However, federal prosecutors lied to the judge when they claimed during his sentencing hearing that he had *not* exposed Olenicoff's fraud; in fact, he *had*, on multiple occasions, beginning with his 2007 testimony before the U.S. Senate Permanent Subcommittee on Investigations.

Set to be released this month, Birkenfeld, whom the *New York Daily News* said deserved "a statue on Wall Street," was eventually paid a $104 million award by the IRS in September for acting as a corporate whistleblower.

Another Day, Another HSBC Scandal

When news of the Falciani leak went public, Alexandre Zeller, the chief executive of HSBC's Swiss subsidiary said at the time, "We deeply regret this situation and unreservedly apologize to our clients for this threat to their privacy."

Press reports failed to mention whether HSBC apologized to European taxpayers for the role they played in continent-wide tax fraud.

As *Antifascist Calling* has previously reported (here, here and here), the multinational banking giant stands accused by U.S. Senate investigators of smoothing the way for terrorist financiers and money laundering drug cartels.

Vaxevanis's revelations over the bank's secret Swiss accounts comes at a time when HSBC is "actively engaged" in settlement talks with federal prosecutors. Fines for serious breaches of U.S. banking laws could now reach upwards of $1.5 billion (£940m), *The Guardian* reported.

According to *The New York Times*, "prosecutors are considering criminal charges related to money laundering, according to several law enforcement officials with knowledge of the matter. It would be the first such case stemming from the broad investigation."

Despite these facts, and despite claims by current CEO Stuart Gulliver that HSBC's criminal practices were "regrettable" and that the bank "failed to spot and deal with unacceptable behavior," British tax authorities "obtained details of every British client of HSBC in Jersey after a whistleblower secretly provided a detailed list of names, addresses and account balances earlier this week," *The Daily Telegraph* disclosed.

Among those receiving the red carpet treatment at HSBC's Jersey branch were drug dealer Daniel Bayes, currently on the lam in Venezuela, "Michael Lee, who was convicted of possessing more than 300 weapons at his house in Devon; three bankers facing major fraud allegations and a man once dubbed London's 'number two computer crook'."

According to the *Telegraph*, the list "identifies 4,388 people holding £699 million in offshore current accounts and they are also likely to have billions of pounds more in investment schemes. Several celebrities and other well-known figures are understood to be identified in the client data."

Unsurprisingly, HSBC's Jersey client list is "heavily dominated by senior figures in the City. Dozens of bankers are understood to have deposited six-figure sums offshore with some institutions said to have 'clusters' of employees taking advantage of the accounts."

"One investment manager has more than £6 million in his account," the *Telegraph* noted, "while the average amount held is £337,000. Under Britain's non-domicile rules, those with foreign roots only have to pay tax on money entering Britain–provided it is earned abroad. However, more seriously for HSBC, dozens of people with no obvious legal source of substantial income are holding large sums in Jersey."

In other words, like their North American banking affiliate, HBUS, accused of laundering billions of dollars for Mexican drug cartels, HSBC Jersey may be a conduit for European drug syndicates seeking a safe harbor for illicit wealth.

Richard Murphy, a prominent British tax accountant and campaigner against offshore tax havens like Jersey told *The Daily Mail* the leaked HSBC accounts could be the "tip of the iceberg."

Murphy added: "This bank was clearly out of control. It confirms what we've begun to realise, that this is a bank that was, during the period that the Reverend Lord Stephen Green was in charge, the world's biggest money-launderer."

It now appears from these latest revelations this continues to be the case.

Contradicting claims made in sworn testimony before the Senate Permanent Subcommittee on Investigations last summer that the bank would "apologize, acknowledge these mistakes, answer for our actions and give our absolute commitment to fixing what went wrong," they were singing another tune last week when the *Telegraph* story broke.

A bank spokesperson averred: "HSBC has a duty of confidentiality and cannot comment on clients even to confirm or deny they are clients. We have good relationships with our regulators and co-operate with investigations when required to do so."

More recently, *The Daily Mail* reported that "hundreds of tax dodgers" on the Lagarde List "will escape prosecution and will be allowed to keep their identities hidden."

Despite the fact that some "6,000 British names linked to HSBC bank accounts in Geneva were handed to the tax authorities in 2010 by Mrs Lagarde," HM Revenue and Custom's officials "have decided to offer them immunity in exchange for payment of a penalty and their tax bills."

While "critics have accused tax officials of offering immunity deals to almost everyone on the HSBC list, whether they owe a few pounds or billions," HMRC handed tax fraudsters a cozy arrangement which protected their anonymity and simultaneously shielded serious offenders from prosecution, the *Mail* disclosed.

Trifling details such as these shouldn't surprise anyone. As the Tax Justice Network pointed out, British tax officials “had sold off 650 of their offices to a company called Mapeley Steps Ltd., a company owned in Bermuda, and leased them back for 20 years.”

Mapeley is now owned by the U.S. private equity firm, Fortress, “headquartered in the tax haven of Guernsey. Now private equity firms make a lot of money for their *owners*–and note carefully that does not mean they make a lot of money for their foolish *investors*.”

It turns out the “company has now revealed a £103m loss and the directors admit that there are material uncertainties as to the group as a going concern.”

Ironically enough, guess who might own Mapeley if it goes under? You guessed right if you said: “Britain’s tax offices will become the property of its bankers.”

Talk about “state capture”!

But it gets worse. As Rowan Bosworth-Davies, a former financial crimes specialist with London’s Metropolitan Police observed on his web site Friday, Britain’s Financial Service Authority (FSA) are utterly clueless when it comes to cracking down on illegal drug money laundering by British banks.

> “The importance of this question is that it goes right to the heart of the whole responsibility of the FSA for regulating one major element of the UK financial market,” Bosworth-Davies wrote, “the element of money laundering. Yet the answers appear to be frankly unsatisfactory, complacent, almost evasive, although the first answer from Lord Turner, boss of the UK’s financial regulatory agency, was right on the money when he said: ‘I would have to say that I do not know the answer to that…'”

Commenting on hearings in the House of Commons by its Home Affairs Committee into the illegal proceeds of the narcotics trade washed through British banks, the former Met detective wrote that “FSA lost the plot a long time ago.”

“As a result, the industry they sit above generally despises them, and ignores them most of the time. How else can you interpret the level of financial criminality that goes repeatedly unpunished, the level of organised criminality which is endemic within the British banking sector, and the criminogenic culture which permeates the sector.”

In the face of pervasive corruption and official negligence which crosses the line into outright complicity, Bosworth-Davies wonders: “Can we expect prosecutions now to be brought against HSBC as a result of the Jersey revelations today, which are clearly so blatant and so scandalous as to be nothing more than a direct challenge to the authority of the law. Might be ok if we had a prosecuting authority willing to take responsibility to bring a case, but I wouldn’t hold your breath!”

“Austerity” Regimes: Fronts for Global Crime

The problem of money laundering, tax fraud and the illegal offshoring of wealth isn’t solely an issue for Britain, Greece or for that matter, the United States: it is a global phenomenon. One which clearly demonstrates, as economic analyst Michel Chossudovsky, the director of the Center for Research on Globalization has long observed, represents the “criminalization of the state,” that is, the end stage of a capitalist system in terminal crisis.

On the one hand, the managed drug trade overseen by wealthy banking elites, and exploited as a tool by Western intelligence services, and on the other, moves to impose "fiscal austerity" on a planetary scale would seem to be unrelated phenomenon. On the contrary, they represent two sides of the same coin, the upward transfer of wealth by well-connected insiders seeking geopolitical advantage for those in on the game.

Indeed, the same crooked bankers now demanding that supposedly "irresponsible" governments get their "fiscal houses in order" are the very miscreants who thrive on the chaos arising from laundered drug money *and* financial speculation.

Although *Hot Doc's* publication of secret HSBC accounts embarrassed the Greek government and their European paymasters, moves to reduce Greek workers to abject poverty continue apace.

With the Greek government knuckling under to "austerity" measures demanded by the European Central Bank (ECB), European Union (EU) and the IMF, a new €31.5bn ($39.9bn) "bailout"–designed to indemnify hyena bankers, not struggling Greeks, from losses–will impose ever-harsher conditions on the working class.

Lining the pockets of institutional lenders who drove the crisis in the first place, let's call the raft of complex cross-currency "swaps," dodgy derivatives and "rescue packages" what they are: a filthy *grift* which Greeks are forced to pay with their lives.

The "Troika's" latest demands include the imposition of a six-day work week, the continued sell-off of public assets to vampire investors at fire sale prices and the virtual destruction of the social safety net.

Quite naturally, such measures are viewed as a splendid means to bailout financial speculators in Berlin, Wall St. and the City of London responsible for looting the Greek economy. And if millions of people are consigned to the scrap heap? Well, tough luck suckers!

Reuters reported that the Greek government "presented a new austerity package to parliament on Monday as a week of strikes and protests kicked off over proposals that lawmakers must approve if the country is to secure more aid and stave off bankruptcy."

Key features lusted after by the Euro bosses include a "package of measures making it easier to hire and fire workers and a series of cost cuts and tax hikes that should amount to 13.5 billion euros ($17 billion) by 2016."

Greece's powerful unions launched a 48-hour general strike against the government. Tens of thousands of Greek workers took to the streets, opposing a regime that engineered the virtual collapse of living standards. Since the eruption of the so-called European "debt crisis" three years ago, disposable income has fallen by a staggering 35 percent for the average Greek worker.

As the *World Socialist Web Site* noted in September, "The social situation of the majority of Greeks is already catastrophic. While pensions and wages have fallen by up to 60 percent, mass consumption taxes have been hiked up and millions of jobs cut. In the first three months of this year wages fell by 11.5 percent compared to the previous year."

"The official unemployment rate," reporter Christoph Dreier averred, "stands at 24.4 percent and at 55 percent among young people. Nearly sixty percent of the unemployed receive no state support at all. According to the unions, the real level of unemployment is much higher."

Last week, the *World Socialist Web Site* reported that austerity measures imposed by the Greek government will include massive "cuts to the health care system. Already decided are savings in health care totaling €2 billion. Part of this sum is to be achieved by laying off 10 percent of doctors and other staff in public hospitals."

Cuts in the budget have already seriously impacted the delivery of vital health care services to Greek citizens.

According to Dreier, doctors and pharmacists "are owed €230 million by the country's biggest health insurance company, EOPYY. As a result," as in cash-strapped Third World countries, "patients must pay in advance at pharmacies and also for some doctors' services and submit the bills later to their health insurer. Such upfront payments are often impossible for the old, the poor and the chronically ill, meaning they have to do without medicines and treatment."

> "A growing number of children," the leftist critics noted, "are contracting infectious diseases such as diphtheria and meningitis because their parents cannot afford the necessary vaccines. New HIV infections also increased by over 50 percent in 2011 alone."

In the context of endemic corruption and massive fraud among wealthy elites, it is no surprise that Lagarde's list was passed to Greek officials–and ignored–more than two years ago.

According to multiple press reports, the list was buried by successive governments. Among those charged with the cover-up were officials from the right-wing New Democracy party led by current Prime Minister Antonis Samaras and former Prime Minister George Papandreou's fake "socialist" PASOK organization.

> "In the two years since it had been handed to Greek authorities by the IMF's chief Christine Lagarde," *The Guardian* reported, "the infamous tally of suspected tax evaders had caught the popular imagination … the failure of successive governments to act on the list and crack down on tax evaders had raised suspicions that corrupt vested interests ran to the top of society."

Greece, Vaxevanis wrote in *The Guardian*, is an "exclusive club of powerful people" which "engages in illegal practices, then pushes through necessary laws to legalise these practices, granting itself an amnesty, and in the end, there are no media to uncover what really happened."

"The 'Lagarde' case in Greece is merely an extreme expression of this situation," Vaxevanis averred.

"In 2010, Lagarde handed to the then minister of finance, George Papaconstantinou, a list of Greeks who held bank accounts abroad. Some of this was 'black money'–money that may not have been taxed or needed to be laundered."

> "In a convoluted train of events," Vaxevanis noted, "Papaconstantinou admitted to losing the original data, but was able to pass another copy to his successor Evangelos

> Venizelos, who eventually admitted to having held it but has failed to produce it so far. The list has still never been properly investigated."

"It is quite clear the political system did everything not to publish this list" he said.

"If you look at the names, or the offshore companies linked to certain individuals, you see that these are all friends of those in power," he told the *Guardian* during a recess in his recent trial.

> "We live in a country where, on the one hand, tax evasion is rampant and, on the other, people are eating out of rubbish trucks because of salary cuts, because they can't make ends meet."

"They can no longer play hide and seek," Vaxevanis told *The Daily Telegraph*, "and they cannot demand the little old lady in a village to make more painful sacrifices and have her pension cut when a small group of oligarchs continues to grow wealthy."

In a *Reuters* interview the journalist said that "the main problem in Greece is the people who govern it. It is a closed group, an elite, one part of which is composed of people from all the parties and the second connected directly or indirectly to business people."

Sound familiar? It should. And if you think "austerity" is a game that only the Europeans are playing, better think again!

With talk of a "grand bargain" in Washington over an alleged "fiscal cliff," Hope and Change™ grifter Barack Obama, feckless Democrats and their Republican brethren are planning to implement a program that will slash the federal budget deficit through massive cuts in education, health care and social spending while leaving the Pentagon's bloated budget virtually untouched.

With "comprehensive tax reform" in the offing, the sole beneficiaries will be giant corporations and the rich who will continue to launder trillions of dollars in "non-taxable" wealth offshore.

Tom Burghardt is a researcher and activist based in the San Francisco Bay Area. In addition to publishing in *Covert Action Quarterly* and *Global Research*, he is a Contributing Editor with *Cyrano's Journal Today*. His articles can be read on *Dissident Voice*, *Pacific Free Press*, *Uncommon Thought Journal*, and the whistleblowing website *WikiLeaks*. He is the editor of *Police State America: U.S. Military "Civil Disturbance" Planning*, distributed by AK Press and has contributed to the new book from *Global Research*, *The Global Economic Crisis: The Great Depression of the XXI Century*.

Articles by: Tom Burghardt
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