GlobalResearch
Center for Research on Globalization

HSBC Caught in New Drug Money Laundering Scandal

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Theme: Global Economy, Law and Justice

Global Research, November 02, 2012

Antifascist Calling...

While HSBC's Canary Wharf masters are back-peddling furiously over charges that they gave a leg up to terrorist financiers and drug traffickers as a recent U.S. Senate report charged, new evidence emerged that its business as usual for the multinational banking giant founded by Hong Kong-based British opium merchants.

Earlier this month, *The Independent* reported that French police had "intercepted one of the dozens of 'go-fast' cars which transport cannabis at high speed from Spain to Paris. The seizure–banal in itself–unravelled an extraordinary network of drug-trafficking, money-laundering, fraud and tax evasion which sprawled over the invisible barrier which separates Paris from the city's poor, multiracial suburbs."

The bank embroiled in this latest scandal? Why HSBC, of course!

According to reporter John Lichfield, "bank notes handed by clients to street drug dealers in the suburbs were ending up, French and Swiss investigators discovered, in the safes of seemingly law-abiding, well-heeled citizens in the French capital."

But that's not the only place where crisp bundles of cash were turning up.

"A trio of Moroccan brothers, including a prominent fund manager in Geneva, are alleged to have concocted an elaborate scheme to launder money by balancing two illegal flows of cash," *The Independent* averred.

At the center of this multimillion euro money laundering spider's web were: Meyer El-Maleh, the managing director of the fund management firm GPF SA, and brothers Mardoché El-Maleh, the alleged bagman of the cannabis-for-cash scheme and Nessim El-Maleh, a fund management specialist with the Swiss private banking arm of HSBC, HSBC Private Bank (Suisse) S.A.

The Independent reported that the trio "are suspected of handling up to €12m (£9.6m) in cash in the past seven months (and far more over the past four years). Assets seized by the police include €2m in cash, gold ingots, art treasures and guns."

> "The HSBC bank has confirmed that its employee was involved in the affair," *Swiss Info* disclosed, "but says that it has been 'cooperating actively with the authorities about this over the past few months'. The Swiss newspaper Le Temps reports that GPF SA is about to dismiss the other brother."

Talk about closing the barn door after the horses have escaped!

Among the well-heeled perps arrested by authorities on charges of "conspiracy to launder money and association with criminals" was Florence Lamblin, a prominent Green Party politician and deputy mayor of the 13th arrondissement in Paris.

Her arrest was all the more ironic considering that fake "left" Greens are currently in coalition with François Hollande's pro-austerity "Socialist" government. Lamblin and her coalition partners had run on a platform demanding tougher action against (wait for it) international money laundering!

When Lamblin's home was raided "police discovered €400,000 (SFr484,000) in low-value notes" in safes belonging to the "progressive" politician, *Swiss Info* averred.

In the wake of her arrest, Lamblin was forced to resign although she denied "any involvement" in the drug smuggling scheme.

Her lawyer, Jérôme Boursican told AFP "she had held 350,000 euros from a family legacy in a Swiss account."

"If anything, my client may be guilty of tax fraud, over the transfer back to France of a sum of €350,000 from a family inheritance which was placed in a Swiss bank account in 1920," Boursican explained.

The attorney told France 24 that he would ask a judge "to dismiss the case against his client 'as soon as possible' and blamed her involvement on a 'judicial error'."

The "error" of *getting caught* perhaps?

Despite Lamblin's professed innocence, *Swiss Info* reported that "the sums involved are huge." French police have charged that "the sum involved in the money laundering is about €40 million, while French Interior Minister Manuel Valls says that the drug smuggling must have brought in about €100 million."

As preliminary reports suggest it appears that Lamblin was keen on keeping more than the environment "green."

A typical money laundering "placement" scheme, "cannabis profits leaving France were 'swapped' for assets hidden in Switzerland which tax cheats or business fraudsters wished to repatriate," *The Independent* reported.

"The risky job of smuggling drug-trafficking proceeds over the Franco-Swiss border was avoided," Lichfield wrote. "Instead, the drugs cash was handed over in plastic bags to Parisians who had hidden Swiss accounts."

"The same sums were debited from their banks in Geneva and sent on a complex route through shell companies in London and offshore tax havens to purchase assets for the drug barons in Morocco, Dubai or Spain. A commission was allegedly paid on both transactions," *The Independent* averred.

Referred to as "layering," the transfer of funds took place through a series of opaque financial transactions that camouflaged their illegal origins. In the case of our well-heeled Parisians, drug profits were swapped through bank-to-bank and bulk cash transfers via private banks in Geneva, one of which was owned by HSBC.

As Senate investigators disclosed, "Bulk cash shipments typically use common carriers … to ship U.S. dollars by air, land, or sea. Shipments have gone via airplanes, armored trucks, ships, and railroads."

"Shippers," Senate staff averred, "may be 'currency originators,' such as businesses that generate cash from sales of goods or services; or 'intermediaries' that gather currency from originators or other intermediaries to form large shipments. Intermediaries are typically central banks, commercial banks, money service businesses, or their agents."

Eschewing armored cars, airplanes or ships, the "originators" of these illegal cash flows preferred ubiquitous black plastic trash bags and "go-fast" limousines as the method of choice for bulk cash transfers. It would certainly cut down on shipping costs as the loot moved "offshore" and entered the shadow world of private banking!

As financial researcher James S. Henry pointed out in *The Price of Offshore Revisited*: "The term 'offshore' refers not so much to the actual physical location of private assets or liabilities, but to nominal, hyper-portable, multi-jurisdictional, often quite temporary locations of networks of legal and quasi-legal entities and arrangements that manage and control private wealth–always in the interests of those who manage it, supposedly in the interests of its beneficial owners, and often in indifference or outright defiance of the interests and laws of multiple nation states."

> "A painting or a bank account may be located inside Switzerland's borders," Henry wrote, "but the all-important legal structure that owns it–typically that asset would be owned by an anonymous offshore company in one jurisdiction, which is in turn owned by a trust in another jurisdiction, whose trustees are in yet another jurisdiction (and that is one of the simplest offshore structures)–is likely to be fragmented in many pieces around the globe."

Given Switzerland's strict bank secrecy laws, we do not know, and Senate investigators did not disclose, how many billions of dollars were hidden for HSBC's private banking clients in Geneva, where it originated or whether or not occult wealth shielded from scrutiny was derived from organized criminal activities.

In July however, when the Senate pointed a finger directly at HSBC over anti-money laundering "lapses," *The Bureau of Investigative Journalism* revealed that "British clients of an HSBC-owned private Swiss bank that is the focus of a major HM Revenue & Customs investigation are alleged to have evaded tax by an amount likely to exceed £200m."

Lord Stephen Green, Baron of Hurstpierpoint and current Minister of Trade and Investment in David Cameron's Conservative government, was previously HSBC's chief executive and the chairman and director of HSBC Private Banking Holdings (Suisse) N.A. for ten years.

During Green's tenure, journalist Nick Mathiason disclosed that "the sums allegedly evaded by Britons using HSBC's Swiss bank are massive. HMRC told the *Bureau* 'the early indications are that the amounts are significant'."

According to Mathiason, in 2010 the HMRC "received data smuggled out of HSBC by a former bank IT worker, now under arrest in Spain and facing possible extradition to Switzerland, that contained details of 6,000 UK-linked individuals, companies and trusts. Two senior tax investigators who both worked at HMRC told the *Bureau* the average amount evaded in the 6,000 accounts is likely to range between £33,000 and £50,000."

While the sums involved in the Parisian money laundering and drugs scandal may be chump change in comparison to the *trillions of dollars* in illicit drug money that enters the system each year as a result of "normal business relations" between global drug cartels and the international financial system as the United Nations Office on Drugs and Crime (UNODC) revealed last year, it does demonstrate the utterly corrupt nature of the system as a whole.

Indeed, seeming ideological foes are joined at the hip when it comes to fleecing the working class and imposing austerity and privatization schemes that profit their real constituents–the global class of financial parasites who "win" regardless of which party of hucksters gain power.

As Henry observed, "private elites … had accumulated $7.3 to $9.3 trillion of unrecorded offshore wealth in 2010, conservatively estimated, even while many of their public sectors were borrowing themselves into bankruptcy, enduring agonizing 'structural adjustment' and low growth, and holding fire sales of public assets."

Public sector thefts that enrich the shareholders and officers of corrupt institutions like HSBC.

Although settlement talks between U.S. regulatory agencies and HSBC has forced the bank to set aside at least $700m (£441m) to meet the cost of any fines, it is highly unlikely that officials at the bank will be criminally charged.

Currently negotiating with the Justice Department, the Federal Reserve and the Office of the Comptroller of the Currency over serious allegations that the bank conducted a multiyear, multibillion dollar business with terrorist financiers and global drug cartels, the price tag may balloon even higher.

"HSBC's $700 million set-aside, if paid, would constitute the largest U.S. settlement reached over such allegations, topping the $619 million in penalties and forfeitures paid in June by ING Groep NV, the biggest Dutch financial-services company," *Bloomberg News* reported.

According to *The New York Times*, "federal authorities think HSBC could end up paying at least $1 billion. The bank itself said 'it is possible that the amounts when finally determined could be higher, possibly significantly higher'."

A spokesperson for HSBC however, told the *Times* this "case is not about HSBC complicity in money laundering. Rather, it's about lax compliance standards that fell short of regulators' expectations and our expectations, and we are absolutely committed to remedying what went wrong and learning from it'."

But as Rowan Bosworth-Davies, a former financial crimes specialist with London's Metropolitan Police observed: "You don't launder this volume of money by accident, because somewhere along the line, your systems and controls for preventing money laundering just 'broke down'! You do it because you work in a bank which is willing to flout every rule in the book and engage in layer upon layer of criminal conduct if the money is right! You do it because your management structure is defined by a criminogenic determination to amplify the anomic environment within which you operate and in which you expect your staff to co-operate."

For their part, Swiss bankers are scrambling to put as much daylight as possible between themselves, the Paris money laundering scandal and HSBC.

Bernard Droux, the chairman of the Geneva Financial Center foundation, an umbrella group of independent banks and wealth managers told *Swiss Info*: "We were surprised that it should still be possible to do this today. This is a practice that has been forbidden by law for more than 20 years."

But as with other recent examples of financial skullduggery, Droux reverted to form and claimed "You can never rule out the possibility of black sheep in any profession. No international centre is totally protected from this kind of thing."

He hastened to add that Switzerland was at the "forefront" of the international fight against drug money.

However, Droux's "black sheep" brush-off was undercut by a recent *Bloomberg Businessweek* report. We were informed that "Swiss private banks are looking for footholds in Latin America as the lower fees and higher interest rates offered by local wealth managers deter the region's super-rich from traveling to Geneva and Zurich."

This "changing relationship," *Bloomberg* reported, began "in the 19th century when Swiss banks guarded the fortunes of plantation owners and mining magnates. UBS AG (UBSN), Credit Suisse Group AG (CSGN) and other Swiss banks are being forced to seek acquisitions as Latin America's $3.5 trillion wealth management market is set to grow by more than half by 2016, according to Boston Consulting Group."

"'People are becoming richer and richer,' said Gustavo Raitzin, head of Latin America for Julius Baer Group Ltd. (BAER). 'An emerging consumer class wants to make liquid investments and they need private banks and wealth managers'."

It is worth recalling in this context that Julius Baer's Cayman Islands division, as the whistleblowing web site WikiLeaks revealed, was instrumental in squirreling away "several million dollars" of funds controlled by late Mexican Army General Mario Acosta Chaparro and his wife, Silvia, through a shell company known as Symac Investments.

Acosta, who served time in prison for his ties to the late drug trafficking kingpin Amado Carrillo Fuentes, the self-styled "Lord of the Heavens" who ran the Juárez Cartel, was killed in May when an assassin fired three rounds from a a 9mm revolver into his head.

The secret-spilling web site averred: "With the assistance of Julius Baer, Mr Chaparro was able to invest several millions of USD in Symac with all the secrecy which the Caymans allowed and to draw out some $12,000 a month."

Who else might be in need of "private banks and wealth managers" employed by the likes of HSBC and Julius Baer to make such "liquid investments" possible with no questions asked?

Paging Chapo Guzmán, white courtesy telephone!

(Image courtesy of Daniel Hopsicker's *MadCow Morning News*)

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