

Money Laundering and The Drug Trade: The Role of the Banks

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Mexico is in the grip of a murderous drug war that has killed over 150,000 people since 2006. It is one of the most violent countries on earth. This drug war is a product of the transnational drug trade which is worth up to \$400 billion a year and accounts for about 8% of all international trade.

The American government maintains that there is no alternative but to vigorously prosecute their zero tolerance policy of arresting drug users and their dealers. This has led to the incarceration of over 500,000 Americans. Meanwhile the flood of illegal drugs into America continues unabated.

One thing the American government has not done is to prosecute the largest banks in the world for supporting the drug cartels by washing billions of dollars of their blood stained money. As Narco sphere journalist [Bill Conroy has observed](#) banks are "where the money is" in the global drug war.

HSBC, Western Union, Bank of America, JP Morgan Chase&Co, Citigroup, Wachovia amongst many others have allegedly failed to comply with American anti-money laundering (AML) laws.

The Mexican drug cartels have caught the headlines again and again due to their murderous activities. The war between the different drug cartels and the war between the cartels and government security forces has spilled the blood of tens of thousands of innocent people. The drug cartels would find it much harder to profit from their murderous activity if they didn't have too big to fail banks willing to wash their dirty money.

In March 2010 Wachovia cut a deal with the US government which involved the bank being given fines of \$160 million under a "deferred prosecution" agreement. This was due to Wachovia's heavy involvement in money laundering moving up to \$378.4 billion over several years. Not one banker was prosecuted for illegal involvement in the drugs trade. Meanwhile small time drug dealers and users go to prison.

If any member of the public is caught in possession of a few grammes of coke or heroin you can bet your bottom dollar they will be going down to serve some hard time. However, if you are a bankster caught laundering billions of dollars for some of the most murderous people on the planet you get off with a slap on the wrist in the form of some puny fine and a deferred prosecution deal.

Charles A. Intriago, president of the Miami-based [Association of Certified Financial Crime Specialists](#) has [observed](#), "... If you're an individual, and get caught, you get hammered.

“But if you’re a big bank, and you’re caught moving money for a terrorist or drug dealer, you don’t have to worry. You just fork over a monetary penalty, and then raise your fees to make up for it.

“Until we see bankers walking off in handcuffs to face charges in these cases, nothing is going to change,” Intriago adds. “These monetary penalties are just a cost of doing business to them, like paying for a new corporate jet.”

This failure on the behalf of the US government to really crack down on the finances of the drug cartels extends to British banks as well. In July 2012 the US Senate Committee on Homeland Security and Governmental Affairs issued a 339 [page report](#) detailing an amazing catalogue of “criminal ” behaviour by London based HSBC. This includes washing over \$881 for the Mexican Sinaloa Cartel and for the Norte del Valle Cartel in Colombia. Besides this, HSBC affiliated banks such as HBUS repeatedly broke American AML laws by their long standing and severe AML deficiencies which allowed Saudi banks such as Al Rajhi to finance terrorist groups that included Al-Qaeda. HBUS the American affiliate of [HSBC supplied](#) Al Rajhi bank with nearly \$1 billion in US dollars.

[Jack Blum](#) an attorney and former Senate investigator has commented, “They violated every goddamn law in the book. They took every imaginable form of illegal and illicit business.”

HSBC affiliate HBUS was repeatedly instructed to improve its anti-money laundering program. In 2003 the Federal Reserve Bank of New York took enforcement action that called upon HBUS to improve its anti-money laundering program. In September 2010 the Office of Comptroller of the Currency (OCC) sent a, “blistering supervisory letter” to HBUS listing numerous AML problems at the bank.

In October 2010 this was followed up with the OCC issuing a cease and desist order requiring HBUS to improve its AML program a second time. Senator Carl Levin chairman of the Senate investigation into HSBC has [commented](#) that , “HSBC’s Chief Compliance Officer and other senior executives in London knew what was going on, but allowed the deceptive conduct to continue.”

Let us look at just a couple of the devastating findings in the [Senate report](#). The main focus of the report is the multiple failures of HSBC to comply with AML laws and regulations:

“The identified problems included a once massive backlog of over 17,000 alerts identifying possible suspicious activity that had yet to be reviewed; ineffective methods for identifying suspicious activity; a failure to file timely Suspicious Activity Reports with U.S. law enforcement; ... a 3-year failure by HBUS [a HSBC affiliate] , from mid-2006 to mid-2009, to conduct any AML monitoring of \$15 billion in bulk cash transactions ... a failure to monitor \$60 trillion in annual wire transfer activity by customers ... inadequate and unqualified AML staffing; inadequate AML resources; and AML leadership problems. Since many of these criticisms targeted severe, widespread, and long standing AML deficiencies,.....”

The [report](#) catalogues in great detail the failings of HSBC affiliates HBUS in America and HBMX in Mexico:

“from 2007 through 2008, HBMX was the single largest exporter of U.S. dollars

to HBUS, shipping \$7 billion in cash to HBUS over two years, outstripping larger Mexican banks and other HSBC affiliates. Mexican and U.S. authorities expressed repeated concern that HBMX's bulk cash shipments could reach that volume only if they included illegal drug proceeds. The concern was that drug traffickers unable to deposit large amounts of cash in U.S. banks due to AML controls were transporting U.S. dollars to Mexico, arranging for bulk deposits there, and then using Mexican financial institutions to insert the cash back into the U.S. financial system. ... high profile clients involved in drug trafficking; millions of dollars in suspicious bulk travelers cheque transactions; inadequate staffing and resources; and a huge backlog of accounts marked for closure due to suspicious activity, but whose closures were delayed."

In the [Senate hearing on 17 July](#) 2012 Carl Levin Chairman of the Committee on Homeland Security and Governmental Affairs explained how HMEEX helped the Mexican drug cartels:

"Because our tough AML laws in the United States have made it hard for drug cartels to find a U.S. bank willing to accept huge unexplained deposits of cash, they now smuggle U.S. dollars across the border into Mexico and look for a Mexican bank or casa de cambio willing to take the cash. Some of those casas de cambios had accounts at HBMX. HBMX, in turn, took all the physical dollars it got and transported them by armored car or aircraft back across the border to HBUS for deposit into its U.S. banknotes account, completing the laundering cycle."

Senator Levin went on to note how:

"Over two years, from 2007 to 2008, HBMX shipped \$7 billion in physical U.S. dollars to HBUS. That was more than any other Mexican bank, even one twice HBMX's size. When law enforcement and bank regulators in Mexico and the United States got wind of the banknotes transactions, they warned HBMX and HBUS that such large dollar volumes were red flags for drug proceeds moving through the HSBC network."

In December 2012 the Department of Justice cut a deal with HSBC which imposed a record \$1.9 billion dollar fine. It may sound a lot to ordinary folks but it is a tiny fraction of its annual profits which in 2011 totalled \$22 billion. Assistant Attorney General Lanny Bauer announced the settlement at a press conference on 11 December 2012. His comments reveal why the US government decided to go soft on such criminal behaviour and show quite clearly how there is one law for the richest 1% and one law for the rest of us. [Lenny Bauer said](#):

"Had the U.S. authorities decided to press criminal charges, HSBC would almost certainly have lost its banking license in the U.S., the future of the institution would have been under threat and the entire banking system would have been destabilized."

Think about that statement for a moment. A bank that has quite clearly been caught out helping murderous drug criminals, terrorist groups, third world dictatorships and all sorts of criminal characters is to be let off with a slap on the wrist. No criminal prosecutions or even a mention of criminal behaviour due to the fears that to do so would put the world economy in jeopardy. So there you have it. Banksters who engage in such behaviour that is regarded

as criminal by the vast majority of people on the planet are not only too big to fail they are also too big to jail.

After the Department of Justice announcement of the deferred prosecution HSBC Chief Executive [Stuart Gulliver said](#),

“We accept responsibility for our past mistakes. We have said we are profoundly sorry for them, and we do so again.”

Such statements will provide little solace to the families of the 150,000 people estimated by US Secretary of Defence Leon Panetta to have been killed in Mexico’s drug war. Nor will it help the hundreds of thousands of Mexican citizens who have been forced to flee their homes and escape the violence by going to the United States or moving to other parts of Mexico.

Senator Elizabeth Warren appearing at a meeting of the Senate Banking Committee in February [expressed frustration](#) with officials from the US Treasury Department and US Federal Reserve over the issue of why criminal charges were not pressed on HSBC or any of its officials. The officials were evasive when she tried to draw them on the issue of what it takes for a bank to have its licence withdrawn:

“HSBC paid a fine, but no one individual went to trial, no individual was banned from banking, and there was no hearing to consider shutting down HSBC’s activities here in the United States. So, what I’d like is, you’re the experts on money laundering. I’d like an opinion: What does it take — how many billions do you have to launder for drug lords and how many economic sanctions do you have to violate — before someone will consider shutting down a financial institution like this?”

Senator Warren finished the session by [commenting](#) on the glaring double standards within the US justice system:

“You know, if you’re caught with an ounce of cocaine, the chances are good you’re going to go to jail. If it happens repeatedly, you may go to jail for the rest of your life. But evidently, if you launder nearly a billion dollars for drug cartels and violate our international sanctions, your company pays a fine and you go home and sleep in your own bed at night, every single individual associated with this. I think that’s fundamentally wrong.”

On 4 March 2013 HSBC announced profits of \$20.6 billion in 2012 while it paid out a \$3 million bonus to its CEO. This outrageous state of affairs beggars belief after HSBC has been clearly caught out engaging in activity on behalf of murderous drug lords, terrorist financing banks and brutal third world dictatorships. Where is the British Government’s condemnation of HSBC? You may be waiting a long time for that considering the fact that Chancellor George Osborne and his fellow ministers are intimately connected to the British banking elite.

Long time observer of the Mexican drug war Bill Conroy [comments](#) that the deal cut with HSBC by the Department of Justice,

“should illuminate for all the great pretense of the drug war — no matter how

hard US prosecutors, via the mainstream media, attempt to convince us otherwise. ...And it should lead us to conclude, if we are honest with ourselves, that the so-called drug war is little more than one immense "drug deal."

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