

Standard Chartered Bank Scandal Shows Need for Glass-Steagall

Aug. 10—Rowan Bosworth-Davies, a former London Metropolitan Police (New Scotland Yard) Fraud Squad detective and former head of investigations for City of London regulator FIMRA (predecessor to the Financial Services Authority), has denounced the cries of “unfair” coming from sections of the City, after New York State’s Department of Financial Services ordered Standard Chartered Bank (SCB) to “show cause” why its New York banking license should not be revoked for money laundering.

Bosworth-Davies has decades of experience working with U.S. investigators and is not unknown to numerous former prosecutors from New York who support Glass-Steagall.

In a posting to his [blog](#) on Aug. 9 he wrote: “They [the City of London—ed.] don’t seem to understand that the American authorities are growing very concerned with the way that just about every major financial scandal seems to emanate from London or has a London element. Barclays bank, the Libor scams, HSBC, and the money laundering evidence, the billion dollar derivatives losses caused to JPMorgan Chase, were all orchestrated from London; there are further U.S. investigations into RBS [Royal Bank of Scotland], it all adds up to an orchestrated level of regulatory failure and the Americans are rightly concerned.”

In an Aug. 7 blog entry republished below, he wrote, “I hope that the U.S. regulatory agency which has reported on SCB makes sure that their licence to conduct financial business in New York is removed.... Executives of the major banks have decided they are ‘too big to jail,’ and international laws do not apply to them when they become inconvenient.”



EIR’s Roger Moore interviewed him on Aug. 10.

EIR: Numerous former U.S. prosecutors—Neil Barofsky, Eliot Spitzer, John Moscow—have come out calling for Glass-Steagall, the law pushed through by President Franklin Delano Roosevelt in 1933. As a veteran of efforts to combat financial crime in the U.K., first as a detective in the New Scotland Yard Fraud Squad, and then as a consultant, what do you think of Glass-Steagall?

Bosworth-Davies: We all have to remember that the era of reconstruction introduced by President

[Franklin] Roosevelt sought to focus on the need to put the financial sector back on a genuinely equitable footing, and the separation of the retail from the wholesale [investment] banks was a vital part of that reorganization. Here in the U.K. we have a desperate need to ring-fence our retail banking operations so that the ordinary man and woman in the street can be secure in the knowledge that their savings and their banking facilities cannot be put at risk by the antics of the wise-guys in the “casino” banking community. A Glass-Steagall facility is a vital and fundamental requirement to begin re-creating a fair and honest banking sector, and should be a non-negotiable issue for our government and the bank regulators.

EIR: Could a Glass-Steagall reform in the U.K. be of use to fight the financial crimes of both Wall Street and the City, be they Libor-rigging or massive narcotics money-laundering as with Wachovia Bank and HSBC?

Bosworth-Davies: A more difficult question. In order to prevent similar scandals, such as Libor-

rigging or the money-laundering horror stories, what is needed in the London market is a far greater degree of regulatory focus to recognize and identify when financial institutions are not complying with the laws and regulations required by international standards of global banking compliance. I don't think that a Glass-Steagall provision would necessarily prevent these kind of crimes; these need a far greater degree of positive regulatory intervention, imposed by administrators who have the skill, moral courage, and expertise to take on the big players at their own game, and to be successful in court. Frankly, at the moment, we don't have such people in the U.K.; they would all rather work in the money-making sector than be regulators, who are routinely despised by those whom they regulate.

America Has To Do It

EIR: From your own unique experience, do you have advice for Americans on how to grapple with the criminal implications of our trans-Atlantic banking system, and how important what the U.S. does, or doesn't do, is for the world?

Bosworth-Davies: The Americans are the only people in the financial world who have any idea at all how to regulate financial markets. All too many worthwhile U.S. regulations have been undermined and dismantled by certain administrations, but the SEC, the CFTC, the Justice Department, OFAC, the Manhattan DA's Office, the Comptroller of Currency's Office, all have proven their ability to take on the biggest international financial criminals and put them away.

America has to realize that she is on her own in this struggle; no other country is going to back her attempts to regulate the financial sector in the way she seeks so to do. So she must make even more use of her unique powers to marginalize those who would seek to clear U.S. dollar transactions, where the activities from which those proceeds arise have criminal antecedents. No one else is going to be willing to work with the U.S. if and when their financial interests are challenged, so America needs to be willing to enforce her laws and regulations strictly; by so doing, she protects her markets, her currency, and her security.

That is why the Standard Chartered Bank case is of such importance and why the regulators must stay strong and stick to their principles, if the evidence is clear. Let the chips fall where they may!