

# HSBC Caught Laundering Mexican Dope Money; How Much Went to Obama 2008?

by Michele Steinberg

May 20—A new scandal has erupted around drug-money laundering by the already infamous HSBC, formerly, the Hongkong and Shanghai Banking Corp., which, combined with the impending showdown over Attorney General Eric Holder's contempt of Congress in the investigation of the gun-running operation known as Fast and Furious, could directly lead to the White House.

According to a variety of news accounts, an officer of the New York branch of HSBC, John Cruz, amassed over 1,000 pages of evidence, and more than 20 hours of taped conversations with other bank officials, showing that the bank was laundering massive amounts of money through dummy accounts, using fake Federal Tax ID numbers and other ruses.

Cruz was an account manager from 2008 to 2010, when he was fired for attempting to force the bank to halt the money-laundering scheme.

He took his evidence to the Internal Revenue Service, the Department of Homeland Security, and other Federal and state agencies, but no action was taken. Reportedly, at least two U.S. Attorneys offices—in West Virginia and Florida—are now investigating the case, and the Senate Permanent Investigations Subcommittee is also reportedly probing the matter. A similar case of drug-money laundering for the Mexican drug cartels out of the London offices of Wachovia Bank (now Wells Fargo) was exposed several years ago. There, too, the whistleblower was fired.

Briefed on the HSBC case, Lyndon LaRouche posed a crucial question: How much of the drug money was



*Fingers are now pointing at both President Obama and Attorney General Eric Holder for stonewalling the investigation of the U.S. government's role in the gun-running operation Fast and Furious.*

funneled into the 2008 Obama Presidential campaign? LaRouche cited the pivotal role of British agent and dope legalizer George Soros in promoting the Obama Presidential run and financing it, noting that the Mexico-U.S. border area from Arizona and Texas was flooded with dope money, coming back into the United States, during the relevant period.

The major elements of the ongoing investigation include:

- Revelations that a 2010 report by the office of West Virginia U.S. Attorney William J. Ihlenfeld II (Northern District, W.Va.) compared HSBC to a “nuclear waste dump.” According to a May 3, 2012 “Spe-

cial Report” by Reuters, cited on the website of the Association of Certified Financial Crime Specialists (ACFCS), the U.S. Attorney’s report says that “HSBC is to Riggs [Bank], as a nuclear waste dump is to a municipal land fill.” The investigation of HSBC goes back to 2005, according to Reuters, which obtained the report. Investigations are also going on in southern Florida and the Southern District of New York, involving movement of “hundreds of billions” of dollars through foreign correspondent banks without following anti-money laundering regulations, Reuters wrote in the “Special Report.”

In 2005, *EIR* exposed Riggs Bank as the main laundromat for the Al-Yamamah-linked funds of then-Saudi Ambassador to the U.S. Prince Bandar bin Sultan, whose household had funneled money to the 9/11 hijackers in California.<sup>1</sup> Bandar received \$2 billion in bribery money from the British defense company, British Aerospace Corporation (later morphed into BAE), for British-Saudi arms deals, and Riggs was the depository for Bandar funds. As the ACFCS also notes, Riggs, which was effectively closed down by the Federal government, also served as “a big piggy bank for dictators like Pinochet of Chile, [and] Nguema of Equatorial Guinea....”

- HSBC is under investigation by the Senate Permanent Investigations Subcommittee (SPIS), chaired by Carl Levin (D-Mich.), for money-laundering activities. Kathleen Long, a spokesperson for SPIS, told *EIR* that HSBC has stated in its SEC filings that the bank is cooperating with the Subcommittee, but she declined to comment further.

- As early as February 2012, former HSBC officer Cruz told the conservative web publication WorldNet-Daily (WND): “I found many accounts through which hundreds of thousands of dollars were being flowed as a conduit on a monthly basis.” According to documents he provided to WND, wire transfers as large as \$500,000 were made in some months. Cruz says, “HSBC is a criminal organization.... It is a culture of crime.” He also said, “I have hours of voice recordings, ranging from bank tellers to business representatives, to managers, to executives....”

Cruz said he concluded that the money laundering was done on behalf of Mexico’s deadly drug cartels,

which, as of May 14, have been linked to 81 human decapitations in the last month.

- On May 4, the London *Independent* reported that, “Drug cartels used HSBC to launder cash,” and in one documented case now in the hands of the U.S. Attorney in West Virginia, “Drug Enforcement Administration (DEA) agents posed as drug dealers deposited millions of dollars in Paraguayan banks and then transferred money to accounts in the U.S. through HSBC.”

- In December 2011, the *New York Times* reported that the DEA was setting up money-laundering accounts for Mexican drug cartels, parallel to the Bureau of Alcohol, Tobacco and Firearms setting up gun shipments to the Mexican cartels in the Fast and Furious operation. “Undercover American narcotics agents have laundered or smuggled millions of dollars in drug proceeds,” the *Times* reported, with the DEA handling shipments of “hundreds of thousands of dollars in illegal cash across borders.” Some transactions were as large as \$1 million in cash, but “federal law enforcement agencies had to seek Justice Department approval to launder amounts greater than \$10 million in any single operation.” However, former agents told the *Times* that the cap “had been waived on many occasions to attract ... high-value targets.”

## **Obama, Money Laundering, and Contempt of Congress**

In January 2012, The Ulsterman Report, which has made repeated allegations about Obama’s unstable mental condition, published a briefing from its source, “Washington Insider,” who claimed that Obama “laundered something like \$300 million, maybe more in 2008,” and that he is doing it again in the 2012 campaign. “Maybe this time they’re up to a billion dollars or more? Money from China? Pakistan? Iran? Libya? Nobody knows,” Washington Insider said.

According to information from a U.S. intelligence source, the White House insider report and the John Cruz allegations about HSBC have been investigated by government law enforcement and intelligence agencies. According to the source, the Cruz allegations have “significant merit,” and, in fact, some of the specific documents provided by Cruz to Federal authorities have been investigated and proven accurate. The claim that HSBC established dummy accounts, through which as much as \$1 trillion in Mexican drug cartel profits were laundered, had been corroborated, according to the source, through U.S. intelligence agencies’

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1. See Jeffrey Steinberg, “Scandal of the Century Rocks British Crown and the City,” *EIR*, June 22, 2007. ([http://www.larouche.com/eiw/public/2007/eirv34n25-20070622/04-07\\_725.pdf](http://www.larouche.com/eiw/public/2007/eirv34n25-20070622/04-07_725.pdf))

probes of the operations of the Mexican cartels. The 1,000 pages of documents from HSBC provided by Cruz corroborated details in those intelligence reports.

The source, who, earlier in his career, was involved in investigations into Mexican narcotics trafficking, agreed with the West Virginia U.S. Attorney that the infamous Riggs National Bank money-laundering case was small-time compared to the magnitude of money laundered through HSBC. When asked whether the 2008 Obama Presidential campaign was financed by Mexican cartel drug money, the intelligence official could neither confirm nor deny the charges. However, he claimed that the 2008 Obama campaign had received large amounts of illegal cash from overseas, including significant amounts of money from Asia. Most of those funds were funneled through Mexico into U.S. banks, including HSBC.

The source explained that the Mexican cartel arrangements with the major Wall Street banks were so

solid that they were the primary conduit for much of the money laundering from around the world into the U.S. banking system. This analysis fits with that of Antonio Maria Costa, former head of the UN Office on Drugs and Crime, who stated in a 2009 interview with the Austrian weekly *Profil*, that during the 2008 banking crisis, when interbank lending had frozen up, it was only the flow of drug money that kept the system from melting down.

While there is no indication that the illegal sources of Obama's Presidential fundraising will be investigated by any Federal agency—all of which are controlled by the Executive branch—or even by the Republican-controlled House of Representatives, there is serious motion in the House that could lead to holding Attorney General Eric Holder, Obama's closest personal associate in the Cabinet, in contempt of Congress (see box). Without Holder, who is also close to Obama's crutch, Michelle Obama, Nerobama's fragile personal

## AG Holder Threatened With Contempt Citation

May 20—The pressure is on to bring contempt of Congress charges against President Obama's Attorney General Eric Holder for his stonewalling of the investigation into the Executive branch's knowledge of the U.S. government gun-running operation, Fast and Furious. For months, Rep. Darrell Issa (R-Calif.), chairman of the House Government Operations and Reform Committee, has wanted to bring contempt charges based on Holder's continued refusal to turn over documents.

In Operation Fast and Furious, at least 2,000 weapons were provided to the deadly Mexican drug traffickers through the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). Some ATF weapons were found at the murder site of Border Agent Brian Terry.

While it has not been fully taken up by Congress, testimony by then-Deputy Attorney General David Ogden, in March 2009, revealed that the ATF had established 16 "new DEA stations" in the Southwest

United States, suggests that a connection between Fast and Furious gun-trafficking, and Drug Enforcement Administration (DEA) money laundering should also be fully investigated.

On May 18, it was revealed that Republicans Congressmen—House Majority Leader John Boehner (Ohio), Rep. Eric Cantor (Va.), and Rep. Kevin McCarthy (Calif.)—joined with Issa in a letter to Holder which demands that the Attorney General cooperate fully with the ongoing investigation of Fast and Furious. And according to that letter, just released to the media, Boehner and his fellow Republicans are focused not only on what Holder knew and when he knew it, but perhaps on what the President, himself, knew.

The letter states that the House will bring a citation against Holder for contempt of Congress if he does not comply with the subpoena within weeks: "If necessary, the House will act to fulfill our constitutional obligations in the coming weeks. It is our hope that, with your cooperation, this sad chapter in the history of American law enforcement can be put behind us."

—Will Wertz

control system could visibly collapse, leading to the necessary removal of him under Section 4 of the 25th Amendment.

## Updating the Crimes of HSBC

Meanwhile, the record clearly shows that the British monarchy's Bank of Hongkong and Shanghai—now known as HSBC—that served for one and a half centuries as the clearing house for the banking side of the heroin and opium trade—is still servicing its old masters. In fact, HSBC is not the only one of the Queen's banks involved in money laundering. In March 2012, Coutts & Co., Her Majesty's bank, was fined by the U.K.'s Financial Services Authority (FSA) for persistent money laundering.

The role of Hong-Shang was first exposed in *EIR*'s groundbreaking investigative book, *Dope, Inc., Britain's Opium War Against the World*. "The British Crown Colony of Hong Kong, with the British Hongkong and Shanghai Banking Corporation at the top, is considered the number-one money-laundering center for the heroin trade," *Dope, Inc.* said. "Illegal drugs are the biggest business in the Far East—and close to being the biggest business in the world—but in Hong Kong, drugs do not merely dominate the economy: They are the economy."

In 1977-78, *EIR* led a campaign to block Hong-Shang from buying Marine Midland Bank in New York State, and setting up operations in the U.S., warning state and Federal officials about the drug bank's history. The British Empire's invasion of the U.S. banking system, however, prevailed, and HongShang was allowed to set up shop inside the United States, one of the first nails in the coffin of banking regulation, which culminated in the 1999 repeal of the Glass-Steagall Act with the passage of the Gramm-Leach-Bliley Act that took down banking regulation.

From a brief review of the public record of articles about U.S. Attorney William Ihlenfeld's report, and from the interviews and writings of former HSBC vice president John Cruz, there is more than enough reason to conduct a full, public investigation of HSBC, with a view to shutting down its operations in the United States, which never should have been allowed in the first place.

According to Reuters, which claims to have seen the Ihlenfeld report and other government investigative documents about HSBC, the bank created an operation

that was "a systemically flawed sham paper-product designed solely to make it appear that the Bank has complied" with anti-money-laundering laws, and with the Bank Secrecy Act. HSBC was put under moderate surveillance in 2003 for lax anti-money-laundering procedures, and brought in a former prosecutor to set up a flashy software system. The Federal surveillance of HSBC was lifted after a few years, but by May 2010, HSBC's "backlog of alerts [about suspicious account activities by bank customers] was nearly 50,000 and 'exponentially growing each month,'" according to Reuters, quoting from documents the news service reviewed.

But even worse than the dirty business of HSBC is the criminal record of Obama, Holder, and the Justice Department, in covering up the bank's operations. On May 18, a public affairs spokesperson from the Ihlenfeld's office told *EIR* that Main Justice had instructed that office to direct all press or public affairs inquiries to Washington, where, as this reporter confirmed, the inquiries would be stopped dead in their tracks.

HSBC is being investigated by the Justice Department, by the DoJ's Eastern District U.S. Attorney's office, by the Office of the Comptroller of the Currency, and by the Senate Permanent Subcommittee on Investigations—but don't get the impression that these investigations are serious: According to *EIR*'s review of articles and regulatory reports, these agencies have actually been investigating HSBC since 2003, and the bank has not even received a "slap on the wrist." The West Virginia U.S. Attorney was told in 2010 to end his five-year investigation into HSBC and turn it over to Main Justice, but no charges have been filed. These manifold investigations are a convenient means of cover-up, because all agencies are instructed to say, "We can't comment on an ongoing investigation."

The onus is now on Congress, from the Senate Subcommittee on Investigations, to the House Oversight and Government Reform Committee, to cut through the Justice Department lies and bring the HSBC investigation, including the Executive branch protection of its dirty operations, into the open. Combined with the impending contempt of Congress case against Eric Holder, this long overdue cleanup of the Queen's dirty banking operations could bring Obama down.

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