

# British Empire's No. 2 Drug Bank Charged with Money-Laundering

by Edward Spannaus

Aug. 13—While Obama Administration regulators and prosecutors dawdled, scheming about how to justify *not* bringing charges against a major London bank for flagrant violation of anti-money-laundering laws, New York State's top banking regulator stunned regulators on both sides of the Atlantic, with a lightning strike against London's Standard Chartered Bank, one of the flagship banks of what *EIR* has long identified as Britain's Dope, Inc.

In his action, which clearly intersects the trans-Atlantic fight over Glass-Steagall, the head of the New York State Department of Financial Services, Benjamin Lawsky, filed a show-cause order on Aug. 6, accusing Standard Chartered Bank (SBC) of "a staggering cover-up," in hiding 60,000 secret transactions with Iran, involving \$250 billion, with Iran over ten years. Lawsky gave Standard Chartered until Aug. 15, to explain why its license should not be revoked.

## 'Too Big To Jail'

Lawsky's action infuriated the banker-coddlers at Obama's Treasury and Justice Departments, and the Federal Reserve, who were carefully putting together the grounds for another sweetheart deal with Standard Chartered, which at worst would have resulted in a non-prosecution or deferred-prosecution agreement, as they are reportedly doing with HSBC, history's number one dope bank, and have already done with so many other outlaw bankers. The Obama Administration is becoming notorious, even in conservative circles, for its unwillingness to prosecute any large-scale financial crimes committed by Wall Street bankers.

On Aug. 10, the *New York Times* confirmed that the U.S. Justice Department had been "on the verge of concluding that virtually all of [Standard Chartered's] transactions complied with the law," adding that "momentum was building not to pursue a criminal case against the bank." In reporting how alarmed are British

and other European banks over Lawsky's actions, the *Times* says that banks, such as Lloyds, Barclays, and ING, which have already settled money-laundering cases with the Justice Department, are now worried that they could be targeted by New York State. One Federal official is quoted complaining that Lawsky "has created utter turmoil" by accusing SCB of violating New York State law, while the Feds were about to give the British drug bank a free pass.

## Records Falsified

In his show-cause order, issued without advance notice, Lawsky charged that "For almost ten years, SBC schemed with the government of Iran and hid from regulators roughly 60,000 secret transactions, involving at least \$250 billion, and reaping SCB hundreds of millions of dollars in fees. SBC actions left the U.S. financial system vulnerable to terrorists, weapons dealers, drug kingpins and corrupt regimes, and deprived law enforcement investigators of crucial information used to track all manner of criminal activity."

While the charges center on Standard Chartered's witting illegal dollar-clearing operations, carried out on behalf of Iranian banks, the references to arms dealers and drug kingpins and "other" anti-money-laundering law violations, indicate that the scope of Lawsky's investigation is much broader. The potential breadth of Standard Chartered's crimes, is indicated by the fact that its dollar-clearing business "clears approximately \$190 billion per day for its international clients" (emphasis in original).

Lawsky's order shows how SBC routinely and repeatedly falsified banking records to deceive U.S. regulators. In 2006, the bank's chief executive for the Americas sent what Lawsky calls a "panicked message" to London, warning of the potential for "catastrophic reputational damage" to SBC because of the Iranian trans-



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*Benjamin Lawskey, New York's top bank regulator, has charged London's Standard Chartered Bank, one of the world's premier Dope, Inc. banks, with "a staggering coverup" of illegal banking transactions.*



N.Y. State Dept. of Financial Services

actions. He also warned about potential criminal exposure, writing that "there is equally important potential of risk of subjecting management in US and London (e.g. you and I) and elsewhere to personal reputation damages and/or *serious criminal liability*" (emphasis in original).

To illustrate what he calls "SBC's obvious contempt for U.S. banking regulations," Lawskey quotes the response from the relevant SCB official in London, who replied: "You f—ing Americans. Who are you to tell us, the rest of the world, that we're not going to deal with the Iranians?"

Legal specialists have confirmed that Lawskey is on very solid legal ground with his action against Standard Chartered. He not only has the authority, but the duty, to enforce the laws of the State of New York, regardless of what other regulators might or might not

do. Even if SBC were right—that the number of its laundered transactions is much smaller than Lawskey charges—this lower amount, about 1% of the 60,000 wire transfers cited by Lawskey, is still sufficient grounds for prosecution. In an interview with Bloomberg radio on Aug. 9, former SEC chairman Arthur Levitt said, "I don't care if it is half of one per cent that weren't right," explaining, "There are going to be more that aren't right. The e-mails are really outrageous. I think Lawskey has uncovered something that probably has much deeper depth."

The day following Lawskey's action, Reuters began circulating a story labelled "EXCLUSIVE—U.S. regulators irate at NY action against StanChart," which reported that the U.S. Treasury Department and the Federal Reserve "were blindsided and angered" by Lawskey's action, and that "Lawskey's stunning move ...

is rewriting the playbook on how foreign banks settle cases involving the processing of shadowy funds tied to sanctioned countries," noting that such cases have usually been settled through negotiation—with public shaming kept to a minimum." But Lawskey, Reuters notes, "wasn't interested in a quiet pact of the sort reached by federal authorities in recent years."

## London Shrieks

The reaction from London was even more hysterical. British politicians such as John Mann, a Labour MP, accused U.S. regulators of displaying an "increasing anti-British bias."

Many claimed that U.S. regulators were simply trying to weaken a financial rival, and said they suspected a power grab by U.S. authorities to shift power from the City of London, to Wall Street. Boris Johnson, the Mayor of London, said, "We must be very careful that the proper desire to root out wrongdoing does not become an excuse for protectionism and a self-interested attack on London's status as the world's pre-eminent financial centre." Perhaps he meant to call London "the world's pre-eminent money-laundering centre."

Bank of England governor Mervyn King denied that the New York action reflected an overall American attack on City of London banking, but he stressed the supposed differences between the Libor interest-rate-fixing affair and the SBC case, noting that in the latter case, only "one regulator, but not the others, has gone public while the investigation is still going on." Appeal-

ing to the cover-up artists in the Administration, King pleaded, “All that the U.K. authorities would ask is that the various regulatory bodies that are investigating a particular case try to work together and refrain from making too many public statements until the investigation is completed.”

### Who Is Benjamin Lawsky?

Inevitably, comparisons were quickly drawn between Lawsky and another “rogue prosecutor,” Eliot Spitzer, the N.Y. Attorney General from 1999 to 2006 (and Governor 2007-08), who used New York State’s powerful securities law, the Martin Act, as well as other laws, to go after investment banks and securities dealers such as Merrill Lynch, Salomon Smith Barney, AIG, among other Wall Street biggies which had up to that time been considered untouchable. There’s good reason for the comparison.

In 2011, when New York Gov. Andrew Cuomo merged the Departments of Banking and Insurance into the new Department of Financial Services (supervising 4,400 financial institutions, with assets of over \$6 trillion), Cuomo appointed Lawsky, his former chief of staff, to head the new agency; Lawsky was Acting Superintendent of Banking at the time. Earlier, when Cuomo was Attorney General (having succeeded Spitzer in 2007), Lawsky served as his special assistant. Lawsky had joined Cuomo’s office in 2007, and handled such high-profile cases as Bank of America and Merrill Lynch.

Lawsky began his legal career as a litigator in the Justice Department in Washington, and then served as chief counsel to Sen. Charles Schumer (D-N.Y.) on the Senate Judiciary Committee. From 2001 to 2006, Lawsky was an Assistant U.S. Attorney in the Southern District of New York, working under four different U.S. Attorneys, where he prosecuted organized crime, insider trading, and terrorism cases, among others. In the securities fraud unit, he worked with Neil Barofsky (the former Special Inspector General of the Troubled Asset Relief Program),<sup>1</sup> who speaks highly of Lawsky.

After Lawsky’s filing of charges against Standard Chartered, and the barrage of attacks on him that followed, Barofsky told *Business Insider* that he knows Lawsky well, and even though Lawsky has never before

faced such intense opposition, he will stay strong in the face of the pressure from Washington. And Barofsky, speaking to the *New York Times*, lauded Lawsky’s speed in pursuing Standard Chartered, in contrast to what he called the “passivity of federal regulators.”

One profile was unusually direct: *Business Insider*’s was entitled: “Meet the Wall Street Regulator Who Pissed Off the Fed, the Treasury, and the Entire City of London.”

### A Pillar of Dope, Inc.

As described in the landmark *EIR* book *Dope, Inc.*, Standard & Chartered is one of the flagship banks of the British Empire’s Dope, Inc.—the product of a 1969 merger between Chartered Bank, the number two bank in Hong Kong and a partner of the HongKong & Shanghai Bank (now HSBC), and the Standard Bank of (British) South Africa,

Chartered Bank was closely linked to the Hong-Kong & Shanghai Bank in many ways historically, including through the Inchape Co., and Peninsula & Orient (P&O) shipping lines—which was the major transporter of opium from India to China. Even the Wikipedia entry for Chartered Bank, describing its Shanghai branch, notes that “Initially, the bank’s business dealt specifically with large volume discounting and re-discounting of opium and cotton bills. . . . Transactions in the opium trade generated substantial profits for Chartered bank.”

Standard Bank was founded in 1862 in South Africa, and by the 1870s was associated with the Rothschild banking interests and the pre-eminent British imperialist Cecil Rhodes, whose Rhodes Trust was established to perpetuate and spread the British Empire to every continent of the world, and specifically to include “the ultimate recovery of the United States of America as an integral part of the British Empire.”

With the near-simultaneous investigations of Barclays, HSBC, and now Standard Chartered, is it any wonder that the howls of protest emanating from the City of London are getting louder and shriller by the day? The very foundation of the British Empire’s global financial system, the nexus of Dope, Inc. banking institutions, is potentially in mortal danger—but only if U.S. investigators, prosecutors, and political leaders are prepared to take on and destroy America’s mortal enemy, and then to wield the restoration of Glass-Steagall and national banking to launch a new credit-based global recovery.

1. See *EIR*, Aug. 10, 2012, for a review of Barofsky’s book *Bailout: An Inside Account of How Washington Abandoned Main Street While Rescuing Wall Street*.