Obama Protects, While States Pursue Banksters

by Edward Spannaus

Aug. 19—With the Obama Administration compiling the worst record in recent history for its refusal to prosecute financial crimes committed by the largest Wall Street and European banks, state officials and others have taken the lead in trying to hold some of the most notorious banks accountable for their crimes.

This has been evident in recent state actions taken against the banks involved in the interest-rate-rigging conspiracy around Libor (the London Interbank Offering Rate), as well as against the British Empire's No. 2 dope bank, Standard Chartered (the first being HSBC).

To be fully effective, of course, it is the Federal government that has to take action against the rogue banking system which has taken over the country—through prosecutions, and, most importantly, through reinstatement of Glass-Steagall, which would cut off the support for their ill-gotten gains.

Dope Banks Targeted, and Protected

Britain's leading dope bank, HSBC, formerly known as the HongKong and Shanghai Bank, has also been targetted for investigation—again, not by the Obama Administration, but in this case, by the U.S. Senate Permanent Subcommittee on Investigations, which, in July, issued a devastating report on HSBC's money-laundering activities on behalf of Mexican drug cartels, and its allowing of transactions by "terrorists, drug kingpins and rogue nations."

The Senate report also put a spotlight on the collusion with the money-launderers by Federal government regulators, particularly those in the U.S. Treasury Department. Rather than investigating and prosecuting banks that are laundering funds for drug-trafficking and terrorism, the Obama Administration, especially Treasury Secretary Tim Geithner—who was involved both as head of the New York Federal Reserve (2003-09) and now as Treasury Secretary—is in fact complicit in

facilitating the spread of these deadly evils.

The No. 2 drug bank, Standard Chartered Bank (SCB), was hit with a show-cause order on Aug. 6 by the New York State Department of Financial Services (DFS), which gave SCB until Aug. 15 to explain why its license to do business in New York should not be revoked. The order stated that SCB's actions had "left the U.S. financial system vulnerable to terrorists, weapons dealers, drug kingpins and corrupt regimes." The New York action triggered howls of protests from both the City of London, and from U.S. Federal regulators—the Federal Reserve, the U.S. Treasury, and the Justice Department—which were on the verge of "concluding" that SCB had not committed any criminal wrongdoing and that it should be let off the hook.

Under tremendous pressure from the Obama Administration and top financial regulators, New York DFS head Benjamin Lawsky, just eight days after filing the order, agreed to a $340 million settlement with Standard Chartered, and did not proceed to a hearing on revoking the bank's license.[1] It is reported that SCB acknowledged that there were $250 *billion* in transactions which violated anti-money-laundering laws, even though up to the point of the settlement, the bank had strongly insisted that the amount involved was only $14 million. This admission is a major embarrassment to Federal regulators, who were not only willing to accept the lower figure, but to let SCB off with, at most, a mild slap on the wrist. And the fact that Lawsky obtained one of the largest settlements ever, in less than ten days, further put to shame those Obama Administration officials who have been dawdling for years on the same case.

Another area in which state regulators and prosecutors have taken the lead, is in the Libor-rigging cases. On Aug. 15, two state Attorneys General issued subpoenas to at least seven major banks in the Libor matter. New York Attorney General Eric Schneiderman and Connecticut Attorney General George Jepsen, working jointly on the investigation, reportedly subpoenaed records from JPMorgan Chase, Citigroup, UBS, Deutsche Bank, Royal Bank of Scotland, Barclays, and HSBC. The latest regulatory filings of many of these banks contain guarded acknowledgement. For example, the New York-based Citigroup stated that its subsidiaries "have received additional requests for information and documents from various U.S. and non-U.S. governmental agencies, including offices of the New York and Connecticut attorneys general."

In Florida, the office of Attorney General Pan Biondi informed financial media the week of Aug. 15, that subpoenas for information have gone to a total of 14 banks, including Lloyds Banking Group. There are also open investigations in Maryland and Massachusetts, with no details so far available on their demands for information.

Goldman Off the Hook

Just as Obama refused to investigate and prosecute those officials responsible for prisoner abuse and torture during the Bush-Cheney Administration ("We're looking forward, not backward," Obama declared), he and his Administration have refused to prosecute bank officials responsible for the 2007-08 financial collapse, and the frauds that contributed to the collapse and to the ensuing suffering of millions of people.

Just a week ago, the Obama Administration's Securities and Exchange Commission (SEC) dropped its investigation of Goldman Sachs, and the Justice Department announced that it would not bring criminal charges against Goldman or any of its employees, on the pretext that the charges would be too hard to prove in court.

This is a continuation of the pattern that has become well-established in this Administration. A column posted on the *American Banker* website on Aug. 6, criticized Federal regulators and the Justice Department for repeatedly entering into what are know as Deferred Prosecution Agreements and Non-Prosecution Agreements (DPAs and NPAs) with major banks which were let off with slap-on-the-wrist fines and promises that they would not violate banking regulations again in the future. This is true even though any major violations, after one of these agreements, are supposed to result directly in prosecutions.

American Banker notes that, since 2007, the DOJ has made 17 such agreements with Wall Street and/or Eurozone banks and that at least three of these banks—UBS, Barclays, and Wachovia—are recidivists, which means the DOJ can invalidate the agreement and proceed with criminal prosecutions. But, nothing of the sort has happened.

Many have pointed out that the Obama Aministration has not brought criminal charges against a single top Wall Street executive. Under Obama, it seems, the megabanks are not only "too big to fail," but their executives are "too big to jail."

1. See Edward Spannaus, "British Empire's No. 2 Drug Bank Charged with Money-Laundering," *EIR*, Aug. 17, 2012.