

# US banks involved in money laundering operation for Mexican mafia

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The brutal war between the Mexican Government and the drug cartels (as well as the war between these cartels themselves) continues to claim an ever-increasing number of lives of civilian victims. Guatemala has been rocked by the discovery of the beheaded bodies of 27 peasants killed in northern Guatemala, allegedly by the feared Zetas cartel, on May 14. Meanwhile, another 218 bodies have been found in several mass graves in Durango.

Even as these killings escalate, evidence continues to pile up of the complicity of US and international banks in financing and arming the international drug syndicates, particularly, the Sinaloa Cartel.

In March 2010, Wachovia Bank, revealed it had ‘laundered’ \$378.4 billion dollars for the Sinaloa Cartel, through a network of exchange houses, or *casas de cambio*, between 2004 and 2007.

Wachovia, now part of Wells Fargo Bank, avoided prosecution by paying \$160 million; a very small sum considering the laundered amount corresponds to one-third of Mexico’s Gross Domestic Product for one year.

A recent article in the British Sunday *Observer* based on recently uncovered documents traces a sinister chain that connects Wachovia and other financial institutions, to the Pacífico (aka Sinaloa) drug cartel. The leader of that cartel, “Chapo” Guzmán, who was rated by *Forbes* magazine as one of the 68 “most powerful people in the world.”

The Sinaloa Cartel is by far the largest of the drug syndicates that operate in Mexico. According to *Fortune* magazine, the Sinaloa Cartel is responsible for 25 percent of drug exports into the United States. The cartel is truly a transnational firm, with operations in over 40 countries. In addition to the Americas, its operations extend across the Pacific to Australia and Japan, and across the Atlantic to Eastern Europe, Italy, Portugal, Spain, Germany and several African nations. In addition to cocaine and marijuana, the Pacífico Group is also involved in the production and sale of synthetic drugs.

Despite the magnitude of the bank’s money-laundering crime, the US District Court in Miami negotiated a “deferred prosecution” agreement with Wachovia in March 2010. Under the terms of the agreement, all charges would be dropped in a year if the bank, which is now part of California’s Wells Fargo Bank, paid a fine and agreed to pay \$110 million for violating the Bank Secrecy Act, and \$50 million for failing to monitor funds used for the shipping for 22 tons of cocaine. No official of the bank was ever prosecuted.

The *Observer* quoted Jeffrey Sloman, who works for the US federal prosecutor. “Wachovia’s blatant disregard for our banking laws gave international cocaine cartels a virtual carte blanche to finance their operations,” said Sloman. Yet the total fine was less than 2 percent of the bank’s \$12.3 billion profit for 2009. The slap-on-the-wrist

judgment was well received by Walls Street. On 24 March 2010, Wells Fargo stock traded at \$30.86—up one percent on the week of the court settlement.

The case against Wachovia is just one example (the ‘tip of the iceberg’ according to the *Observer*) of an extraordinary relationship between transnational financial institutions and the international criminal organizations, such as the Pacífico.

As early as August 2006, an employee at Wachovia’s London offices, Martin Woods, began making senior management aware of possible money laundering at its Mexican operations. In the end, Sinaloa’s weight counted for more with Wachovia’s management, and Woods, a former police detective with decades of experience in money laundering cases, was eventually forced to resign.

Among the transactions that aroused Woods’ suspicions were sequentially numbered travelers checks for very large amounts of euros, with dubious signatures. The transactions were linked to Mexican *casas*. Not only did Wachovia management ignore Woods’ memos (suspicious activity reports, or SARs) it ordered Woods to abandon his investigation and began a campaign of harassment against the whistleblower, who finally left the bank in 2009.

While the Wachovia operation is the largest money laundering operation on record, it is by no means the only one. Another transnational financial institution, HSBC, came under investigation in August 2010. Meanwhile, Citibank’s role in helping former President Carlos Salinas loot the Mexican treasury in the 1980s has been well documented.

Modern money laundering involves sophisticated operations, well beyond the backroom dealings of the past. Money is often transferred among dozens of “shell”, or empty corporations, a process that has been compared to the Russian Babushka dolls, with multiple layers. According to Woods, these transactions no longer take place through tax havens such as the Cayman Islands or Panamá. They are centered in the financial capitals of London and New York—the City and Wall Street. Furthermore, an increasingly larger chunk of the profits generated in Walls Street and London derive from the recycling of drug money.

In Woods’ own words: “These are the proceeds of murder and misery in Mexico, and of drugs sold around the world. All the law enforcement people wanted to see this come to trial. But no one goes to jail. What does the settlement do to fight the cartels? Nothing—it doesn’t make the job of law enforcement easier and it encourages the cartels and anyone who wants to make money by laundering their blood dollars. Where’s the risk? There is none.”

Woods continued: “Is it in the interest of the American people to encourage both the drug cartels and the banks in this way? Is it in the

interest of the Mexican people? It's simple: if you don't see the correlation between the money laundering by banks and the 30,000 people killed in Mexico, you're missing the point."

Woods added that after the settlement of the Wachovia case, "no one in the regulatory community has sat down with me and asked, 'What happened?' or 'What can we do to avoid this happening to other banks?'"

"They are not interested," he said. "They are the same people who attack the whistleblowers and this is a position the [British] Financial Services Authority at least has adopted on legal advice: it has been advised that the confidentiality of banking and bankers takes primacy over the public information disclosure act. That is how the priorities work: secrecy first, public interest second."

He charged that the practices at Wachovia were "symptomatic of the failure of the entire regulatory system to apply the kind of proper governance and adequate risk management which would have prevented not just the laundering of blood money, but the global crisis."

The US Office of the Comptroller of the Currency is allegedly still examining the Wachovia settlement to determine whether any officials are to be charged with a crime. In reality, this agency, charged with regulating the banks, is itself controlled by Wall Street and no serious indictments are expected.

The vast sums involved in the laundering of drug money helped provide liquidity for financial institutions during the 2008 financial crisis. According to Antonio María Costa, who heads the United Nations office on drugs and crime, the flow of crime syndicate money represented the only "liquid investment capital" available to banks at the height of the crisis. "Inter-bank loans were funded by money that originated from the drugs trade," he said. "There were signs that some banks were rescued that way."

The ever more intimate connection between the criminal mafias and global financial institutions began in the late 1970s and early 1980s. Acosta attributes the relationship between the criminal bosses and the financial oligarchy of New York and London to the globalization of criminal enterprises, coupled with the liquidity needs of the centers of finance that required a steady stream of cash to fuel their global speculative activity. This symbiotic relationship further developed with the series of financial crises that afflicted the world economy beginning in the 1990s.

## The US connection

The Wachovia-Pacífico link was first uncovered in April 2006, when Mexican troops captured a DC9 aircraft transporting cocaine into the United States. The capture of the airplane yielded evidence that the purchase of the cargo jet had been part of a money laundering operation.

Jesus Vicente Zambada Niebla, a high ranking member of the Pacífico organization was subsequently linked to the purchase of the planes and eventually extradited last year to Chicago, where he is to be tried in US courts.

Zambada, the son of Ismael Zambada García, a top official in the Pacífico ring, bases his defense on the claim that he was a US agent inside the cartel during a five-year period that began on January 1,

2004 and ended on or about March 19, 2009. Specifically, Zambada says that he worked for the US Drug Enforcement Administration, for the FBI and for the Department of Homeland Security. The purchase of another airplane lends credibility to Zambada's defense.

Zambada helped purchase another airplane through Wachovia accounts, a Gulfstream II executive jet that crashed on September 24, 2007 carrying four tons of cocaine.

European investigators identified that plane's tail numbers as one of the planes involved in the US Central Intelligence Agency's extraordinary rendition program for secretly transporting US captives in the so called war on terror to be tortured and killed in secret prisons around the globe.

The Gulfstream's bill of sale listed its owner as Greg Smith, a pilot who had been employed by the FBI, DEA and Immigrations and Customs Enforcement (ICE.) Further investigation revealed that the plane had been purchased through a syndicate of Colombian drug-traffickers that included a CIA asset named Nelson Urrego; this according to another undercover CIA operative, Baruch Vega, who was also involved in the deal.

As part of his duties, in addition to the purchase of aircraft through Wachovia accounts, Zambada allegedly trafficked weapons across the border from the United States into Mexico.

The US Bureau of Alcohol Tobacco Firearms and Explosives (ATF), recently revealed that it had channeled some 2000 semi-automatic military-style rifles and pistols to the Mexican drug cartels, an operation called "Fast and Furious". The ATF claims the arm sales were part of a sting operation that was designed to unmask and capture cartel officials. In addition to the ATF weapons, the Sinaloa cartel is in possession of grenades that were originally sold by the United States to the Salvadoran Army.

If it turns out that Zambada was indeed a US government agent, it would appear that the Obama administration is favoring this Pacífico/Sinaloa organization over its competing criminal rivals.

A 2009 US diplomatic cable released by WikiLeaks and published in March by the Mexico City daily *La Jornada* reports that the Mexican army and Ciudad Juarez politicians also favored the Sinaloa Cartel over its rivals.

Taken together, the money laundering, the ATF arm sales, and the airplane purchases point to a sinister web of corruption and criminality connecting the banking establishment and the Obama administration to the financing and protection of a gigantic globalized criminal syndicate.

The revelations underscore the fraudulent character of the so-called "war on drugs", which is utilized by Washington as a means of asserting US hegemony and military power in Mexico as well as in Central and South America.



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