

US prepares to fine major French bank

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The US is preparing to impose a fine of some \$10 billion on the French bank BNP Paribas. Anticipating a financial penalty, the bank had set aside \$1.1 billion.

Multiple press reports that the bank is likely to be fined nearly ten times that amount led to a dramatic fall in its stock price. BNP Paribas has already lost 15 percent of its stock value since January, largely due to the US investigation. Reports of the proposed penalty were followed by a threat from the rating agency Standard & Poor's to downgrade the bank.

American authorities have charged BNP Paribas with carrying out financial transactions with countries that have been slapped with US economic sanctions—principally Iran, Sudan and Cuba.

In 2012, Washington penalized other foreign banks, including British-based HSBC and Standard Chartered, for maintaining financial relations with countries subject to American sanctions. Standard Chartered was required to pay nearly \$700 million to the federal government and New York state in order to continue its operations in the US.

Europe's largest bank, HSBC, agreed to pay \$1.9 billion in a settlement with federal and New York state authorities related to transactions with Iran, Cuba, Libya, Sudan and Myanmar.

Not only is the US demanding a much larger fine from BNP Paribas, it is also insisting that the bank admit to having committed a criminal offence. Such an admission would leave the bank open to further prosecution and would allow US regulators to bar BNP from processing dollar payments, a key part of any international bank's business.

Two other French-based banks—Société Générale and Crédit Agricole—are also allegedly being investigated by the American authorities for violating sanctions and money laundering. These three firms constitute France's three biggest banks.

In addition to the French banks, the Swiss bank

Credit Suisse is facing charges of providing a tax haven for wealthy Americans.

The proposal to penalize BNP Paribas has been sharply criticized by leading French politicians. French President François Hollande wrote a letter to President Obama in April complaining of the move against the French bank. He took advantage of Obama's trip to Europe last week to renew his complaint.

At a news conference last Wednesday following a meeting of G7 leaders in Brussels, Hollande described the proposed penalties as “totally disproportionate, unfair sanctions that could have economic and financial consequences for the whole of the euro zone.” He warned that “other banks that could also be targeted, creating a risk and a doubt about the solidity of the European financial system.”

French Economic Minister Arnaud Montebourg went further on Thursday, comparing the US action against BNP Paribas to the death penalty. “Whatever the wrongdoing, the death penalty is unacceptable,” Montebourg told French radio. The former head of the European Central Bank, Jean-Claude Trichet, also weighed in, warning that the sanctions envisaged for BNP Paribas could lead to a damaging chain reaction throughout the financial system.

Following the French complaints, Obama made clear on Thursday that he would not intervene on behalf of the BNP Paribas or other French banks. “I do not pick up the phone and tell the attorney general how to prosecute cases,” he said. “That is not a unique position on my part. Perhaps it is a different tradition than exists in other countries, but it is designed to make sure that the rule of law is not in any way impacted by political expediency.”

The hypocrisy of the American president is stunning. The prosecution of the foreign banks is designed to give the American public the impression that the Obama administration is tough on the banks. The

reality is that Obama and his attorney general, Eric Holder, have refused to criminally prosecute a single major US bank or leading bank executive, despite congressional and federal investigations that have compiled massive evidence of criminal wrongdoing both before and after the 2008 Wall Street crash.

In May, the US Department of Justice posted a video in which Holder boasted of taking action against major banks. Holder declared, “There is no such thing as too big to jail.”

But the supposed proof of this statement has taken the form of criminal probes aimed almost exclusively at foreign banks that compete with America’s big banks. It is also significant that none of the charges lodged against BNP Paribas and other European banks are related to the fraudulent activities that led to the 2008 financial meltdown and continue unabated, in one form or another, in the US, European and world financial markets.

The major banks in Britain, France, Germany, Switzerland and other European countries, with the full support of their respective governments, were quite prepared to participate in the orgy of financial speculation that led to the breakdown of the international financial system nearly six years ago. To investigate European banks for such offences, however, would inevitably raise the role of Wall Street—something Washington seeks to avoid at all costs.

Obama is currently campaigning for Europe to support more stringent economic sanctions against Russia. The message of the US action against BNP Paribas is that any international financial institution that seeks to circumvent US sanctions risks being hit with similar fines and penalties.



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