US Justice Department blocked prosecution of HSBC bank for drug cartel money laundering

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The Republican staff of the US House Committee on Financial Services released a report Monday presenting its findings on why the Obama Justice Department and then-Attorney General Eric Holder chose not to prosecute the British-based HSBC bank for laundering billions of dollars for Mexican and Colombian drug cartels.

The report, titled “Too Big to Jail,” reveals that in 2012 Holder and other senior Justice Department officials ignored an internal department recommendation to criminally prosecute key bankers at HSBC. The report also documents the fact that George Osborne, then Britain’s chancellor of the exchequer, warned the Obama administration that prosecution of the world’s fourth-largest bank could precipitate a new global financial crisis.

The report states: “Rather than lacking adequate evidence to prove HSBC’s criminal conduct, internal Treasury documents show that DOJ [Department of Justice] leadership declined to pursue AFMLS’s [Asset Forfeiture and Money Laundering] recommendation to prosecute HSBC because senior DOJ leaders were concerned that prosecuting the bank ‘could result in a global financial disaster’—as [Britain’s Financial Services Authority] repeatedly warned.”

HSBC laundered hundreds of millions and perhaps billions of dollars for drug cartels responsible for the deaths of tens of thousands of people over the past two decades. The bank transferred at least $881 million of known drug trafficking proceeds, including money from the Sinaloa Cartel in Mexico, which is known for dismembering its victims and publicly displaying their body parts.

In a lawsuit filed against HSBC by the families of Americans killed by Mexican cartels, prosecutors presented evidence that Mexican drug lords were such frequent customers at HSBC that the bank specifically designed deposit boxes for their use that would fit in HSBC bank teller windows.

The report documents the criminal role of the Obama administration in shielding the gangsters who run the major banks in the US and internationally from prosecution for their illegal and socially destructive deeds. It makes clear that the failure of the US government to hold criminally liable a single leading Wall Street figure in the aftermath of the 2008 financial crash, which was triggered by rampant fraud and swindling, is the result of a highly conscious and systematic policy.

Holder himself all but admitted as much in testimony before the Senate Judiciary Committee in March of 2013, when he declared: “I am concerned that the size of some of these institutions becomes so large that it does become difficult for us to prosecute them, when we are hit with indications that if we do prosecute—if we do bring a criminal charge—it will have a negative impact on the national economy, perhaps even the world economy.”

Instead of jailing the banksters, the administration and the Federal Reserve plowed trillions of dollars in public funds into the financial system to drive up stock prices and the already obscene wealth of the financial aristocracy, while making the working class pay the cost in the form of savage social cuts, the destruction of pension and health care benefits, layoffs and wage reductions.

A separate US Senate report released in 2012 already concluded that HSBC had a “pervasively polluted” culture that permitted its top officials to look the other way and allow $7 billion in drug money to flow from Mexico to the US. That year, Under Secretary for Terrorism and Financial Intelligence David S. Cohen stated, “HSBC absolutely knew the risks of the business it pursued, yet it ignored specific, obvious warnings.”

The House report issued Monday states that Holder “misled” Congress as to why the DOJ did not prosecute the bank. After being criticized for his “too big to jail” comments before the Senate in March 2013, Holder sought to walk them back in testimony before the House Judiciary Committee in May 2013. He denied at that time that he was unwilling to prosecute a major bank because of its size and claimed HSBC’s size was not a significant factor in the Justice Department’s decision not to prosecute. The reason, he said, was “lack of evidence.”

The House committee found, on the contrary, that the Asset Forfeiture and Money Laundering section of the DOJ wanted to criminally prosecute bankers at HSBC precisely because their violations of law were so blatant and so well documented.

The report cites a letter sent by Osborne to then-Fed Chairman Ben Bernanke and then-Treasury Secretary Timothy Geithner in which Osborne warned that prosecuting a “systemically important financial institution” such as HSBC “could lead to [financial] contagion” and pose “very serious implications for financial and economic stability, particularly in Europe and Asia.” Later, Osborne underscored this point in a face-to-face meeting with Bernanke in which they discussed the possible prosecution of HSBC bankers.

Instead of prosecuting, Holder oversaw a “deferred prosecution” sweetheart deal in which the bank was required to pay $1.9 billion in penalties.