

Global banking system a network of criminality

Nick Beams

23 September 2020

The great 19th century French writer Honoré de Balzac once noted that behind every great fortune there is a crime. In the 21st century, one would have to say that behind the great fortunes of the world's major banks there is a network of criminality. This reality is documented in the revelations published over the weekend concerning a small portion of the international operations of the world's major banks.

Documents from the US Treasury's Financial Crimes Enforcement Network, known as FinCEN, obtained by *BuzzFeed News* and investigated by the International Consortium of Investigative Journalists, showed that between 1999 and 2017 more than \$2 trillion in transactions were flagged as involving possible money laundering or other criminal activities.

But as the investigation revealed, the \$2 trillion worth of suspicious transactions was "just a drop in a far larger flood of dirty money gushing through banks around the world." The files examined in the investigation "represent less than 0.02 percent of the more than 12 million suspicious activity reports that financial institutions filed with FinCEN between 2011 and 2017."

The United Nations Office on Drugs and Crime estimates that \$2.4 trillion in illicit money is laundered through the global banking system each year, equivalent to 2.7 percent of global output, but only 1 percent of the illegal traffic is detected by the authorities.

The banks involved are some of the biggest names in the world, including JPMorgan, HSBC, Standard Charter Bank and Bank of New York Mellon. In some cases, they continued to profit from the dirty money flow even after being previously fined.

Under existing laws, banks are required to file suspicious activity reports (SARs) that point to

potential criminal activities. But any conception that this is a method of crime prevention would be completely mistaken. In fact, it is a means of crime facilitation.

As *BuzzFeed News* noted: "Laws that were meant to stop financial crime have instead allowed it to flourish. So long as a bank files a notice that it may be facilitating criminal activity, it all but immunizes itself and its executives from criminal prosecution. The suspicious activity alert effectively gives them a free pass to keep moving the money and collecting the fees."

In the rare cases where authorities do decide to take action, it involves making a deal in which the bank agrees to pay a fine. But the fine is not imposed on the executives involved. It is paid for by the bank and treated as a minor operating cost, while the bank continues to obtain fees and profits from the dirty money transactions.

It would likewise be a grave mistake to conclude that the criminal money operations are somehow separate from the regular activities of the global financial and banking system. In fact, they are an integral component of them. There is no Chinese wall separating so-called legitimate activities from illegitimate ones.

In 2011, the US Senate report on the 2008 financial crisis revealed that major banks such as Goldman Sachs and Deutsche Bank were engaged in what amounted to outright criminal activity in the lead-up to the crisis. This included selling financial products they knew were going to fail, and then making deals to profit from the failure of the same financial products.

No one was even prosecuted, let alone jailed, and in an extraordinary admission to the Senate Judiciary Committee in March 2013, President Obama's attorney general, Eric Holder, revealed why, essentially

acknowledging that criminality was not some extraneous activity, but was deeply embedded in the very foundations of the US and global financial system.

“I am concerned,” he said, “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. ...”

A similar situation emerged in 2012. Then-UK Chancellor of the Exchequer George Osborne wrote to Fed Chairman Ben Bernanke and US Treasury Secretary Timothy Geithner about criminal proceedings against Standard Charter and HSBC. He expressed “concerns” that a heavy-handed approach could have “unintended consequences,” and warned of “contagion.”

The FinCEN files investigation details countless cases where authorities not only turned a blind eye to money-laundering operations, but facilitated them. One of the more egregious examples concerns UK-based HSBC, the largest bank in Europe. In 2012, it admitted it had laundered some \$881 million for Latin American drug cartels. The US government deferred criminal charges for five years in return for the payment of a \$1.9 billion fine and a pledge by the bank that it would halt such activities.

During the five-year probation period, HSBC continued to shift money from criminal sources, including Russian money launderers, but in December 2017 the government allowed the bank to declare it had “lived up to all of its commitments” and the criminal charges were dismissed.

What the FinCEN files investigation has revealed is that the criminal activities of the major banks do not take place in defiance of government authorities, but with their active cooperation because they are so integral to the entire financial system.

Consequently, the force of the state is not brought against the criminals at the top of the banking system but utilized against those who expose them. There is a direct parallel here with the case of the journalist Julian Assange, now facing extradition to the US and 175 years in jail for exposing the war crimes of US imperialism.

After the US Treasury Department received a series of questions on the FinCEN files, it issued a statement

that it was aware that various media outlets intended to publish a series of articles based on “unlawfully disclosed” SARs. It said that “the unauthorized disclosure of SARs is a crime that can impact the national security of the United States, compromise law enforcement investigations, and threaten the safety and security of the institutions and individuals who file such reports.” It said Treasury was referring the matter to the Justice Department.

Back in the early 1970s, UK Prime Minister Edward Heath, confronted with the exposure of the corruption of the British company Lonhro in Africa, referred to the “unacceptable face of capitalism.” But the passing off of its activities as an “excess”—in order to cover up the collaboration of the British government with Lonhro—cannot be repeated today. The “unacceptable” or “ugly” face of capitalism has become the norm.

This transformation is rooted in the vast changes in the capitalist economy over the past 50 years, above all, the rise of financialization. The accumulation of profit through speculation, the creation of arcane derivatives, share buybacks and other forms of “financial engineering” means there is now a seamless transition from supposedly legitimate to outright criminal activity. They are virtually indistinguishable.

The FinCEN files exposure is yet another devastating refutation of all those who maintain there is some kind of reformist solution at hand. What has been revealed is that all the arms of the state—the financial regulators, the Treasury and the Fed—are facilitators for the decay and rot that lies at very heart of the global financial system.

The banks occupy a central position in the commanding heights of the capitalist economy. Their activities determine the fate of billions of people around the world, wreaking havoc in the pursuit of profit. The case for their expropriation, bringing them into public ownership under democratic control, as the first step in laying the basis for a planned economy based on human need, is overwhelming.



To contact the WSWWS and the
Socialist Equality Party visit:

wsws.org/contact