

Banking Crisis on Wall Street: Wrist Slap for “Too Big to Fail or Jail” JPMorgan Chase

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Global Research, January 21, 2013

[Antifascist Calling...](#)

Region: [USA](#)

Theme: [Global Economy](#), [Law and Justice](#)

With money laundering “lapses” and CEO mea culpas all the rage on Wall Street and the City of London, you would think that Hope and Change™ grifter Barack Obama’s Justice and Treasury Departments would want to send a strong message to banksters who break the law.

You’d be wrong of course.

‘There’s Nothing to See Here...’

While the financial press is all aflutter over news that JPMorgan Chase (JPMC) CEO Jamie Dimon had his annual pay package cut by 50 percent, from \$23 million (£14.5m) to \$11.5 million (£7.25m) over \$6.2 billion (£3.91bn) in losses in the risky derivatives market, you’d almost believe that Dimon was lining up for food stamps or hunting down mittens to stave off New York’s bone-chilling winter.

Despite allusions to what are euphemistically called “bad bets” by JPMC trader Bruno Iksil, the so-called “London Whale” on the hook for proverbial “shitty deals” that cost shareholders billions, [Bloomberg News](#) reported that JPMC’s “fourth-quarter profit rose 53 percent, beating analysts’ estimates as mortgage revenue more than doubled on record-low interest rates and government incentives.”

Incentives? Now there’s a polite word for a megabank with more than \$2.3 trillion (£1.45tn) in assets handed some \$600 billion (£378.24bn) in TARP funds, which included Federal Reserve engineered deals for their buy-out of Bear Stearns and Washington Mutual that wiped out shareholder equity as the capitalist system threatened to implode in 2008.

Adding to the sleaze factor, it emerged in 2011 that JPMC had wrongfully overcharged thousands of military families on their mortgages, including active duty personnel serving in Afghanistan. As a result of a class-action lawsuit, the bank was forced to admit they had illegally overcharged 6,000 active duty military personnel, had seized the homes of 18 military families and then paid out \$27 million (£17.05m) in compensation. At a shareholder’s meeting later that year Dimon “apologized” for the “error” and lending chief David Lowman fell on his sword as he was shown the door.

Talk about stand-up guys!



And never mind, as [Rolling Stone's](#) Matt Taibbi pointed out, "at the same moment that leading banks were taking trillions in secret loans from the Fed, top officials at those firms were buying up stock in their companies, privy to insider info that was not available to the public at large."

While [drug-tainted](#) Citigroup's former CEO Vikram Pandit "bought nearly \$7 million in Citi stock in November 2008, just as his firm was secretly taking out \$99.5 billion in Fed loans," that other paragon of banking virtue, Jamie Dimon, who "respects" the JPMC board's decision to slice his pay in half "bought more than \$11 million in Chase stock in early 2009, at a time when his firm was receiving as much as \$60 billion in secret Fed loans."

Such "stock purchases by America's top bankers," Taibbi wrote, "raise serious questions of insider trading." Yet not a *single* bankster has been seriously investigated let alone held to account, by the Justice Department.

How sweet a year was it for JPMorgan Chase? Pretty sweet by all accounts.

Overall, *Bloomberg* reported, "revenue increased 10 percent to \$23.7 billion [£14.96bn] from \$21.5 billion [£13.57bn] in the fourth quarter of 2011. Annual revenue was \$97 billion [£61.23bn], down from \$97.2 billion [£61.35bn] the prior year." This included investment banking fees which jumped 54 percent to \$1.7 billion (£1.07bn) and revenue in the commercial banking sector which rose to \$1.75 billion (£1.1bn). And with the formation of a new housing bubble due to taxpayer-subsidized record low interest rates, JPMC's profits in the mortgage writing mill rose to \$418 million (£263.5m) in 2012, compared to losses which topped \$263 million (£165.8m) a year earlier.

But far from being a sign that the economic black hole opened by 2008's financial collapse has contracted, there's bad news on the horizon for distressed homeowners and taxpayers who will be forced to pay the piper for the next round of predatory loans.

As analyst Mike Whitney recently pointed out in [CounterPunch](#) a new rule defining a "qualified mortgage" by the US Consumer Financial Protection Bureau "creates vast new opportunities for the nation's biggest banks to engage in predatory lending practices with impunity."

According to Whitney, while the financial press have described the rule "as an attempt to protect borrowers from the risky types of loans that caused the financial crisis, the opposite is true. The real purpose of the rule is to provide legal protection for the banks from homeowner lawsuits, and to lay the groundwork for more reckless lending that could inflate another housing bubble."

"In other words," Whitney noted, "the rule was designed to serve the interests of the banks and the banks alone. This is why bankers everywhere are celebrating the final draft."

Never mind that leading financial institutions were forced to cough up \$25 billion (£15.76bn) in a settlement with the Office of the Comptroller of the Currency (OCC) and the Federal Reserve over shady foreclosure practices and wrongful homeowner evictions that ruined millions of lives.

JPMC's \$2 billion (£1.26bn) portion of the settlement, which included "a one-time pretax charge [write down] of \$700 million [£441.77m] in the fourth quarter to cover the costs associated with [the] settlement" according to Bloomberg, was a pittance compared to the trillions of dollars in assets controlled by the bank.

'A Trillion Here, a Trillion There...'

But as bad as these gift horses are, they pale in comparison with federal government inaction when it comes to policing financial predators who inflate their balance sheets with laundered drug money and loot derived from terrorist financing and organized crime.

As Yury Fedotov, the Executive Director of the United Nations Office on Drugs and Crime (UNODC), pointed out in that agency's 2011 report, *Estimating Illicit Financial Flows Resulting from Drug Trafficking and Other Transnational Organized Crime*: "Prior to this report, perhaps the most widely quoted figure for the extent of money laundering was the IMF's 'consensus range' of between 2-5 per cent of global GDP, made public in 1998. A study-of-studies, or meta-analysis, conducted for this report, suggests that all criminal proceeds are likely to have amounted to some 3.6 per cent of GDP (2.3-5.5 per cent) or around US\$2.1 trillion in 2009."

The UNODC research team averred: "If only flows related to drug trafficking and other transnational organized crime activities were considered, related proceeds would have been equivalent to around US\$650 billion per year in the first decade of the new millennium, equivalent to 1.5% of global GDP or US\$870 billion in 2009 assuming that the proportions remained unchanged. The funds available for laundering through the financial system would have been equivalent to some 1% of global GDP or US\$580 billion in 2009."

However you slice these grim estimates, it should be obvious that banks have every incentive to remain key players in the transnational narcotics complex and will continue to do so thanks to the federal government.

Last week, the Office of the Comptroller of the Currency (OCC) released their [cease-and-desist order](#) against JPMC.

Unlike other drug money laundering banks such as Wells Fargo-owned Wachovia Bank, which agreed to a mere \$160 *million* (£100.86m) settlement in 2010 in a deferred prosecution agreement ([DPA](#)) after admitting to laundering upwards of \$368 *billion* (£231.99bn) for Colombian and Mexican drug cartels or the recent \$1.9 billion (£1.2bn) [DPA](#) with Britain's HSBC global financial empire, the OCC's consent order didn't even impose a fine on JPMC for money laundering "lapses."

Now that's *juice!*

Though short on details the order however, is a damning indictment of JPMC "indiscretions" when it comes to drug and other criminal money laundering. Keep in mind this is an institution that was slapped with an \$88.3 million (£55.66m) fine less than 18 months ago

for shipping a ton of gold bullion to Iran in breach of harsh Treasury Department sanctions. (I neither endorse nor support draconian sanctions imposed by the imperialists on the Islamic Republic, my purpose here is to point out the double standards which would land the average citizen in the slammer under “material support” statutes for trading with Iran). The January 2013 Consent Order stated although the Comptroller found serious “flaws” in their accounting practices, “the Bank neither admits nor denies” the following:

(1) The OCC’s examination findings establish that the Bank has deficiencies in its BSA/AML [Bank Secrecy Act/anti-money laundering] compliance program. These deficiencies have resulted in the failure to correct a previously reported problem and a BSA/AML compliance program violation under 12 U.S.C. § 1818(s) and its implementing regulation, 12 C.F.R. § 21.21 (BSA Compliance Program). In addition, the Bank has violated 12 C.F.R. § 21.11 (Suspicious Activity Report Filings).

(2) The Bank has failed to adopt and implement a compliance program that adequately covers the required BSA/AML program elements due to an inadequate system of internal controls, and ineffective independent testing. The Bank did not develop adequate due diligence on customers, particularly in the Commercial and Business Banking Unit, a repeat problem, and failed to file all necessary Suspicious Activity Reports (“SARs”) related to suspicious customer activity.

(3) The Bank failed to correct previously identified systemic weaknesses in the adequacy of customer due diligence and the effectiveness of monitoring in light of the customers’ cash activity and business type, constituting a deficiency in its BSA/AML compliance program and resulting in a violation of 12 U.S.C. § 1818(s)(3)(B).

Wait a minute, if these were “previously identified systemic weaknesses” and if JPMC “failed to adopt and implement a compliance program” that would shield the American financial system from a tsunami of drug-tainted cash annually washing through the economy, especially “in light of the customers’ cash activity and business type,” why then has OCC issued another toothless Consent Order rather than forcing the bank to comply with the law? Accordingly, federal regulators charge:

(4) Some of the critical deficiencies in the elements of the Bank’s BSA/AML compliance program, resulting in a violation of 12 U.S.C. § 1818(s)(3)(A) and 12 C.F.R. § 21.21, include the following:

(a) The Bank has an inadequate system of internal controls and independent testing.

(b) The Bank has less than satisfactory risk assessment processes that do not provide an adequate foundation for management’s efforts to identify, manage, and control risk.

(c) The Bank has systemic deficiencies in its transaction monitoring systems, due diligence processes, risk management, and quality assurance programs.

(d) The Bank does not have enterprise-wide policies and procedures to ensure that foreign branch suspicious activity involving customers of other bank branches is effectively communicated to other affected branch locations and applicable AML operations staff. The Bank also does not have enterprise-wide policies and procedures to ensure that on a risk basis, customer transactions at foreign branch locations can be assessed, aggregated, and monitored.

(e) The Bank has significant shortcomings in SAR decision-making protocols and an ineffective method for ensuring that referrals and alerts are properly documented, tracked, and resolved.

(5) The Bank failed to identify significant volumes of suspicious activity and file the required SARs concerning suspicious customer activities, in violation of 12 C.F.R. § 21.11. In some of these cases, the Bank self-identified the issues and is engaged in remediation.

(6) The Bank's internal controls, including filtering processes and independent testing, with respect to Office of Foreign Asset Control ("OFAC") compliance are inadequate.

How *large* were the "significant volumes" of "suspicious activity" alluded to opaquely? *Where* did they originate? *Who* were the "suspicious customers" and *why* did JPMC *not* have "enterprise-wide policies and procedures" after being previously ordered to do so to ensure that said "suspicious customers" at foreign bank branches didn't include drug lords or terrorist financiers? All of these are unanswered questions for which the Obama administration should be held to account.

In fact, according to OCC's own [regulations](#), 12 C.F.R. § 21.21 clearly states that the federal government "requires every national bank to have a written, board approved program that is reasonably designed to assure and monitor compliance with the BSA."

At a *minimum*, an anti-money laundering program "must" (this is not optional): "1. provide for a system of internal controls to assure ongoing compliance; 2. provide for independent testing for compliance; 3. designate an individual responsible for coordinating and monitoring day-to-day compliance; and 4. provide training for appropriate personnel. In addition, the implementing regulation for section 326 of the PATRIOT Act requires that every bank adopt a customer identification program as part of its BSA compliance program."

Keep in mind that Wachovia and HSBC under terms of their DPA's were forced to admit that illegal transactions "ignored the money laundering risks associated with doing business with certain Mexican customers and failed to implement a BSA/AML program that was adequate to monitor suspicious transactions from Mexico."

Furthermore, those risks were compounded, wilfully in this writer's opinion, in order to inflate bank balance sheets with drug money, through their failure to correct "systemic deficiencies in its transaction monitoring systems, due diligence processes, risk management, and quality assurance programs."

On every level, JPMorgan Chase failed to comply with existing rules and regulations that have earned penny-ante offenders terms in federal prison.

In fact, just last week Los Angeles-based "G&A Check Cashing, its manager, Karen Gasparian, and its compliance officer, Humberto Sanchez" were sentenced by US Judge John Walker to stiff prison terms, [The Wall Street Journal](#) reported. For violating the Bank Secrecy Act, Gasparian was "ordered to prison for five years and Sanchez for eight months."

Are you kidding me! The *Journal* averred, "While it is common for banks to face scrutiny from the U.S. for complying with the Bank Secrecy Act, it is rare for authorities to pursue check-cashing businesses for anti-money laundering compliance issues, as they are often used by the poor, who may not have the funds to maintain a bank account."

In full clown-car mode, Assistant Attorney General Lanny Breuer, Obama's chieftain over at the Justice Department's Criminal Division, who last month refused to file criminal charges

against drug-money laundering banksters at HSBC said in a [statement](#): “Karen Gasparian, Humberto Sanchez and their company G&A Check Cashing purposefully thwarted the Bank Secrecy Act, making it easier for others to use G&A to commit illegal activity. They knew they were required to report transactions over \$10,000, but deliberately failed to do so.”

Although the OCC Consent Order does not spell out who benefited from JPMC’s “systemic weaknesses” when it came to lax drug money laundering controls, the suspicion persists that somewhere fugitive billionaire drug lord Chapo Guzmán is smiling as he enlarges his stable of thoroughbreds.

(Image courtesy of Daniel Hopsicker’s [MadCow Morning News](#))

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