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Wall Street Looting: Will JPMorgan Chase Be Held Accountable for Money Laundering "Lapses"?

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Antifascist Calling...

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As a sop to outraged public opinion over Wall Street's looting of the real economy, criminal banksters are coming under increased scrutiny by federal regulators.

Scrutiny however, is not the same thing as enforcement of laws such as the Bank Secrecy Act and other regulatory measures meant to stop the flow of dirty money from organized crime into the financial system.

And never mind that President Obama and his hand-picked coterie of insiders from Bank of America, Citigroup, JPMorgan Chase and Wells Fargo (all of whom figured prominently in recent narcotics scandals) are moving to impose Eurozone-style austerity measures that threaten to ravage the social safety net, the American people are spoon-fed a pack of lies that this cabal will protect their interests and enforce the law when it comes to drug money laundering.

Late last week, *Reuters* reported that "U.S. regulators are expected to order JPMorgan Chase & Co to correct lapses in how it polices suspect money flows ... in the latest move by officials to force banks to tighten their anti money-laundering systems."

In December, the Department of Justice cobbled together a widely criticized deferred prosecution agreement (DPA) with Europe's largest bank, HSBC, over charges that the institution, founded in 1865 by British drug lords when the British Crown seized Hong Kong from China in the wake of the First Opium War, knowingly laundered billions of dollars in drug and terrorist money for some of the most violent gangsters on earth.

Despite the fact that DOJ imposed a $1.9 billion (£1.2bn) fine which included $655 million (£408m) in civil penalties, not a single senior officer at HSBC was criminally charged with enabling Mexican drug cartels and Al Qaeda terrorists to illegally move money through its American subsidiaries.

More outrageously, even when stiff fines are levied against criminal banks and corporations, as likely as not "some or all of these payments will probably be tax-deductible. The banks can claim them as business expenses. Taxpayers, therefore, will likely lighten the banks' loads," *The New York Times* disclosed.

"The action against JPMorgan," *Reuters* reported,

> "would be in the form of a cease-and-desist order, which regulators use to force banks to improve compliance weaknesses, the sources said. JPMorgan will probably not have to pay a monetary penalty, one of the sources said."

Read that sentence again. America's largest bank, responsible for some of the worst depredations of the housing crisis which tossed millions of citizens out of their homes and fined $7.3 billion (£4.53bn) for doing so, will not be fined nor will their officers be criminally charged for presumably washing black money for organized crime.

Despite the recklessness of senior officials at JPMorgan, including CEO Jamie Dimon, former CFO Doug Braunstein and former CIO Ina Drew over the bank's massive losses in the credit derivatives market last year, *Bloomberg News* reported that the board will only "consider" whether to release a report on the fiasco which wiped out close to $51 billion in shareholder value at this "too big to fail" bank.

The Office of the Comptroller of the Currency (OCC), severely criticized by the US Permanent Subcommittee on Investigations in their 335-page report into HSBC, along with the Federal Reserve are expected to issue the cease-and-desist order as early as this week.

Last April however, when OCC issued a cease-and-desist order against Citigroup for alleged "gaps" in their oversight of cash transactions similar to those of drug-tainted HSBC and Wells-owned Wachovia, which laundered hundreds of billions of dollars for narcotics traffickers through dodgy cash exchange houses in Mexico, no monetary penalties were attached.

A "person close" to Citigroup "attributed part of the problem to an accident when a computer was unplugged from anti-money-laundering systems," according to *The New York Times*.

While such bald-faced misrepresentations may pass muster with America's "newspaper of record," Citigroup's sorry history when it comes to facilitating criminal money flows is not so easily swept under the rug.

Late last year investigative journalist Bill Conroy reported in *Narco News*: "In the 1990s, Raul Salinas de Gortari, the brother of former Mexican President Carlos Salinas, tapped US-based Citibank to help transfer up to $100 million out of Mexico and into Swiss bank accounts. Although US authorities investigated the suspicious money movements, ultimately no charges were brought against Raul Salinas or Citibank–a Citigroup Inc. subsidiary."

"Again," Conroy reported,

> "in January 2010, Citigroup popped up on banking regulators' radar, this time in Mexico, when a Mexican judge accused a half dozen casa de cambios

> (money transmitters) of laundering drug funds through various banks, including Citigroup's Mexican subsidiary. In that case, Citigroup again was not accused of violating any laws."

However, despite that fact that the OCC's cease-and-desist order against Citigroup accused the bank of systemic "internal control weaknesses" that opened the institution up to shady transactions by "high-risk customers," presumably including flush-with-cash narcotics traffickers, the bank was not indicted for criminal violations under the Bank Secrecy Act and did not admit wrongdoing, instead promising to "institute reforms."

As with Wachovia and HSBC, OCC charged that Citigroup's "lapses" included "the incomplete identification of high risk customers in multiple areas of the bank, inability to assess and monitor client relationships on a bank-wide basis, inadequate scope of periodic reviews of customers, weaknesses in the scope and documentation of the validation and optimization process applied to the automated transaction monitoring system, and inadequate customer due diligence."

Additionally, Citigroup "failed to adequately conduct customer due diligence and enhanced due diligence on its foreign correspondent customers, its retail banking customers, and its international personal banking customers and did not properly obtain and analyze information to ascertain the risk and expected activity of particular customers."

According to OCC auditors, Citigroup "self-reported" that "from 2006 through 2010, the Bank failed to adequately monitor its remote deposit capture/international cash letter instrument processing in connection with foreign correspondent banking." As I have pointed out, correspondent and private banking are gateways for laundering drug and other criminal money flows.

In other words, replicating patterns employed for decades by the world's leading financial institutions, organized criminals and terrorist financiers were enabled, with a wink-and-a-nod by the US government, above all by US secret state agencies which siphoned off part of the loot for covert operations, to wash black cash through the system as a whole.

Already stung by billions of dollars in losses due to risky trades in credit derivatives as noted above, *MoneyWatch* reported "CEO Jamie Dimon can't blame this on a 'flawed, complex, poorly reviewed, poorly executed and poorly monitored' strategy, like he did when the bank lost $6.2 billion on the so-called 'London Whale' trade."

"In many ways," reporter Jill Schlesinger wrote, "the current potential regulatory action is worse than any trading loss, because it indicates a systemic lapse in controls."

According to *MoneyWatch*, regulators "appear to have found a company-wide lapse in procedures and oversight connected to anti-money-laundering (AML) surveillance and risk management. AML controls are intended to deter and detect the misuse of legitimate financial channels for the funding of money laundering, terrorist financing and other criminal acts."

But there's the rub; federal regulators are loathe to police, let alone hold to account those responsible for such illicit transactions precisely because the infusion of dirty money into the system is a splendid means to keep failed capitalist financial institutions afloat, a process which *Global Research* political analyst Michel Chossudovsky has termed "the criminalization of the state."

In fact, as former London Metropolitan Police financial crimes specialist Rowan Bosworth-Davies recently wrote on his website: "These institutions exist … to handle and facilitate the through-put of the staggering volume of criminal and dirty money which daily flows through the financial sector, because the profits there from are just so incredibly valuable."

"The biggest problem for these banks," Bosworth-Davies observed,

> "is that by far the greatest amount of this money is illegal to handle under international money laundering laws. All banking institutions are now effectively subject to international laws which prohibit the handling or the facilitation of criminally-acquired money from whatever source, and that money includes the proceeds of drug trafficking, all other criminal activities (including tax evasion), and the proceeds of terrorism."

Indeed, "The money they were moving was so huge … that it became very easy to persuade Governments to turn a blind eye, while regulators were encouraged to look the other way, when the banks began engaging in a series of wholesale criminal activities."

Until OCC reveals the content of its cease-and-desist order pending against JPMorgan Chase we do not know the extent of the bank's potential criminal "lapses" under the Bank Secrecy Act.

However, as *Reuters* reported although "no immediate action is expected from US prosecutors," it is a near certainty that the federal government and complicit media will disappear whatever dirty secrets eventually emerge down the proverbial memory hole.

Tom Burghardt is a researcher and activist based in the San Francisco Bay Area. In addition to publishing in Covert Action Quarterly and Global Research, he is a Contributing Editor with Cyrano's Journal Today. His articles can be read on Dissident Voice, Pacific Free Press, Uncommon Thought Journal, and the whistleblowing website WikiLeaks. He is the editor of Police State America: U.S. Military "Civil Disturbance" Planning, distributed by AK Press and has contributed to the new book from Global Research, The Global Economic Crisis: The Great Depression of the XXI Century.

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