

Reuters ExposÃ©: Out Of Control At HSBC

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Reuters published a fascinating report today, '[Out of Control at HSBC](#)'. It draws on leaked documents from a number of criminal investigations into the bank that assert the bank violated U.S. anti-money laundering laws.

The report confirms what Global Witness has been saying for several years: despite a global system of anti-money laundering laws, banks in practice fail to carry out their obligations to combat financial crime.

According to prosecutors, the bank intentionally broke the law. HSBC created an operation that was a "systematically flawed sham paper-product designed solely to make it appear that the Bank has complied" with the US anti-money laundering regulations. It will be interesting to see how HSBC responds to this.

According to the documents that Reuters have seen, the bank failed to review thousands of internal anti-money laundering alerts and so did not file suspicious activity reports.

It also supposedly hired "gullible, poorly trained, and otherwise incompetent personnel" in the division that was meant to deal with potential money laundering risks.

This despite an order from a US regulator in 2003 to up its game when it came to fighting money laundering.

This case was summed up neatly by the US Attorney for the Northern District of West Virginia. In a letter to officials at the Justice Department he said: "HSBC is to Riggs, as a nuclear waste dump is to a municipal land fill."

For those not familiar with the Riggs story, it was a bank fined \$41 million and sold off at a considerable loss of shareholder value in 2004-5 after laundering money for Pinochet and the Obiang family.

So what's going to happen to HSBC?

The bank has said that it is currently under investigation by the Justice Department, the Federal Reserve, the Office of the Comptroller of the Currency, the Manhattan district attorney, the Office of Foreign Assets Control and the Senate Permanent Subcommittee on Investigations.

HSBC told Reuters that “we continue to cooperate with officials in a number of ongoing investigations”. However, the bank declined to comment on the details as it said they were confidential.

Last year Reuters did a very revealing series called [Shell Games](#) focusing on the abuse of US companies. I hope Reuters keep up the good work on this issue.

NB: The above produced with the permission of Robert Palmer at Global Witness, who was its original author.