



Written by [Jack Kenny](#) on February 13, 2015

Senator Wants “Laundergate” Probe of Attorney General Nominee Lynch

President Obama’s nominee for attorney general may face more questioning from senators on Capitol Hill, as Senator David Vitter (R-La.), a member of the Judiciary Committee, said Thursday he plans an investigation into an episode in the law-enforcement career of Loretta Lynch that some are calling “Laundergate.”

“If Loretta Lynch and [the Justice Department] swept under the rug a serious money laundering scheme involving Mexican drug cartels and terrorist organizations, we need to know a heck of a lot more about it,” Vitter [told the Daily Signal](#), a media outlet of the conservative Heritage Foundation. “This is especially true since American citizens may be completely unaware that their identities — including names and Social Security numbers — were compromised in this fraud.”

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Vitter wants to know why Lynch, as U.S. attorney of the Eastern District of New York, and the Justice Department under Attorney General Eric Holder, did not bring criminal charges against the British Banking firm HSBC or any of its officials and employees. Lynch was chief attorney in a massive lawsuit over the multi-national institution’s alleged laundering of more than \$200 million through its New York bank. Federal prosecutors claimed HSBC employees opened fake accounts using customers’ private information in order to illegally conduct transactions for customers in Cuba, Iran, Libya, Sudan, and Burma. The countries were all subject to sanctions enforced by the U.S. Office of Foreign Assets Control. Instead of criminally prosecuting those involved, Lynch helped negotiate a \$1.92-billion dollar [settlement](#) with HSBC in December 2012.

“A simple monetary fine is the equivalent of a slap on the wrist, and would cast serious doubt on Ms. Lynch’s capacity to serve as our top law enforcement official,” Vitter said Thursday.

The settlement was an issue with members of the Congress when it was announced more than two years ago, as critics characterized the Justice Department approach as one that regards some financial titans as “too big to jail.” At a Senate hearing in March 2013, Elizabeth Warren (D-Mass.) wanted to know why federal prosecutors did not force the closing of HSBC operations in the United States. “What does it take?” Warren asked. “How many billions of dollars do you have to launder for drug lords?”

Senator Jeff Merkley (D-Ore.) wrote to Attorney General Holder, saying the settlement “deeply offends the public’s sense of justice.”





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“I am deeply concerned that four years after the financial crisis, the department appears to have set the precedent that no bank, bank employee, or bank executive can be prosecuted even for serious criminal actions if that bank is a large, systemically-important financial institution,” Merkley wrote. Assistant Attorney General Lanny Breuer conceded as much in announcing the settlement, saying a criminal prosecution would have “collateral consequences.”

“If you prosecute one of the largest banks in the world, do you risk that people will lose jobs, other financial institutions and other parties will leave the bank, and there will be some kind of event in the world economy?” Breuer said. On March 6, 2013, Holder [told the Senate Judiciary Committee](#) that a criminal prosecution of large financial institutions could have widespread economic consequences.

“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,” Holder told the senators. “I think that is a function of the fact that some of these institutions have become too large.” A year later Holder took a different line on the giant firms, saying in his [weekly video message](#) of May 5, 2014, “There is no such thing as ‘too big to jail.’ No individual or company, no matter how large or how profitable, is above the law.”

Senator Carl Levin (D-Mich.), whose investigative subcommittee first aired concerns about HSBC actions, praised the settlement when it was announced. “The HSBC settlement sends a powerful wake-up call to multinational banks about the consequences of disregarding their anti-money laundering obligations,” Levin said. But critics noted that the \$2 billion was but a fraction of the company’s \$16.8 billion net income for the previous year. HSBC’s stock went up after the settlement was announced.

“These people managed to cross virtually every line that was crossed. It was an astonishing amount of criminal behavior,” declared Jack Blum, an international banking expert in Washington. “I’d say this is a signal to other banks that if you do this kind of stuff you’ll get a parking ticket,” Blum said. “You pay the fine, and you move on. And that’s unacceptable.”

Lynch told reporters at the time the settlement was announced that HSBC had ignored “numerous red flags and warnings about the money laundering risks.” The bank “routinely did business with entities on the U.S. sanctions list,” she said, “evading U.S. prohibitions on such transactions by disguising the source of the funds so the payments would go through.”

During her confirmation hearing last month, the AG nominee said she has been “very aggressive” in pursuing white-collar crime. “At the outset, no individual is ‘too big to jail.’ And no one is above the law,” she told Senator Richard Blumenthal (D-Conn.)

Vitter brought the HSBC case up again after he and members of his staff met with John Cruz, a former manager with the company who took more than 1,000 pages of bank account records and recordings related to the money laundering before being fired.

“There is a very credible whistleblower ... who said folks at HSBC knew what was going on, actively were helping use fake bank accounts to help this happen on behalf of drug cartels and terrorists,” Vitter told the Judiciary Committee Thursday. “That’s pretty serious to end up having a resolution with a pure money fine.” He said he intends to delay a confirmation vote until questions concerning the prosecution are answered.

Lynch’s nomination has been caught up in other issues as well since President Obama nominated her in November to replace the retiring Holder. Rand Paul last week announced he will oppose confirmation,



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focusing much of his criticism on the fact that the nominee came out in favor of civil asset forfeiture law, where the federal government seizes people's property, sometimes with no clear reason.

Some Republicans have used the nomination as an opportunity to vent their opposition to executive actions Obama has taken to grant legal status and work permits to an estimated five million illegal immigrants, a policy Lynch will be expected to follow as the administration's top law-enforcement official. Key Republicans on the Judiciary Committee, however, have indicated they will vote for confirmation, including Orrin Hatch of Utah, Jeff Flake of Arizona, and Lindsey Graham of South Carolina.

Senator Dianne Feinstein of California is among the Democrats protesting the delay in getting to a confirmation vote, something Feinstein suggested might be attributable to gender bias.

"I guess, because she's a woman, what I kind of object to is that she is singled out," she said, as she cited the number of days required to confirm previous attorneys general: 29 days for Janet Reno, 42 for John Ashcroft, 86 for Alberto Gonzales, 53 for Michael Mukasey and 64 for Eric Holder. It has already been 96 days for Lynch, Feinstein said Thursday, and the nomination has yet to be voted out of committee. Republicans pointed out that roughly half of those days went by last year when Democrats still had control of the Senate. They agreed to leave the nomination to the new Senate in January, rather than take it up in the lame-duck session between the November elections and the Christmas recess.

"This is a case of faux outrage if I ever saw one," said Texas Senator John Cornyn, the Senate's second-ranking Republican and one of the Republicans who plans to vote against confirming Lynch. Whether new questions about "Laundergate" will further delay or possibly even derail the nomination is yet unknown, but it might add to the political drama in a year when much of the nation's political reporting has already been focused on the 2016 presidential election.



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