

BY “COOPERATIVE INVESTIGATIONS” DOES WSJ MEAN “PROTECTION MONEY”?

The WSJ has a funny response to the Standard Chartered Bank settlement. Aside from the predictable claims that Benjamin Lawsky, the NY Superintendent of Financial Services, played hardball to advance his political career, it suggests Lawsky upset a system of “cooperative investigations” that NYC’s District Attorney has in place.

These columns have long supported tough enforcement of Iran sanctions, including efforts by the Manhattan District Attorney and U.S. Treasury against foreign banks. The D.A.’s office has sanctioned four banks in recent years, extracting \$1.8 billion in settlements and defining new standards of behavior.

Other cooperative investigations have long been underway, and Mr. Lawsky’s main contribution seems to have been to jump the queue so he could get a big publicity score. He told the D.A.’s office he was going public the night before his announcement and he only told the feds on the same day.

This seems to be the central pique of the editorial. Lawsky “jumped the queue,” which sounds an awful like a queue of regulators in line to get payouts from banks so they can look the other way from money laundering. Is that the problem here? Lawsky violated the DA’s turf, and took what the DA believed was his office’s rightful payment, and oh by the way also exposed the underlying Get Out of Jail Free industry that seems to be the service for which the DA and other regulators have gotten these payments

in the past?

Are all the attacks on Lawsky about him taking fines that other regulators had planned on receiving? About money going to NY state, rather than NYC?

Mind you, to paint this as a “cooperative investigation,” the WSJ has to ignore several facts.

- SCB did not, as WSJ claims, rat itself out to regulators in 2010. On the contrary, in early 2009, law enforcement authorities came to it.
- Much of the underlying fraud (which WSJ seems to believe is not illegal) happened at a time when SCB was operating under a Written Agreement mandating certain behaviors because of past money laundering violations. Indeed, SCB lied to regulators about its Iranian transactions to get the Written Agreement lifted in 2006.
- SCB has moved all its Office of Foreign Asset Controls compliance to Chennai and—as with its past efforts to evade regulations—the Chennai office does not communicate on these issues with the NY office. Moreover, SCB’s process still seems to allow for the same methods to process

transactions of sanctioned
individuals.

Of course, had WSJ admitted to these facts, it would have had to acknowledge that the "new standards of behavior" the DA's office has put in place includes ongoing efforts to evade money laundering laws.