

German prosecutor's office raids Deutsche Bank

By Johannes Stern
3 November 2018

On Friday, the Frankfurt public prosecutor's office conducted a second raid on Germany's biggest bank, Deutsche Bank. The spokesperson for the investigating authority, Nadja Niesen, said that due to the extent of material, an additional search of the bank's offices was necessary.

One day earlier, on Thursday, some 170 officials from the public prosecutor's office, the federal police and the tax investigation branch had searched the headquarters of Deutsche Bank in Frankfurt-Main, four other branches of the bank in the city and in nearby Eschborn, and the private apartment of one of two accused bank officials.

The raids were related to "suspicions of money laundering," Niesen said in a press statement. She added that at the moment, "investigations were directed against two employees of the bank, 50 and 46 years old," and "against other, as yet unidentified, responsible individuals at the bank."

It is clear that the raids were aimed at leading figures at the bank. The prosecutor's office confirmed that raids had also taken place at the executive level.

The business newspaper *Handelsblatt* cited "two persons familiar with the facts," who reported that, amongst others, the office of the official responsible for regulation and compliance, Sylvie Matherat, had been searched. According to the financial news on Germany's public ARD TV channel, the office of Deutsche Bank CEO Christian Sewing had also been searched. Sewing took over leadership of the bank in April of this year promising a "new beginning."

It is now apparent that the bank's previous criminal machinations continued under Sewing's leadership. The investigations extend to the present. Niesen said that they "relate at least to a period from 2013 to 2018 and have been in motion since August 2018."

The federal crimes office had "evaluated data from the so-called Panama Papers and so-called offshore leaks,"

she added. And it was "suspected that Deutsche Bank helped customers to establish so-called offshore companies in tax havens." From there "funds are alleged to have flowed to Deutsche Bank, without the bank laying charges of suspected money laundering."

The Panama Papers (2016) and Offshore (2013) leaks are amongst the biggest ever leaks of insider information revealing corruption, money laundering and other fraudulent activities by banks, politicians and business people. The Panama Papers are based on 11.5 million confidential documents of the Panamanian company Mossack Fonseca. The documents provide detailed information on more than 214,000 offshore companies. German financial institutions and, above all, Deutsche Bank, played a central role in the legally dubious operations.

The *Süddeutsche Zeitung* commented Friday: "If you look at how employees of German banks transferred their clients' money to offshore paradises and then, according to the Panama Papers and other leaked data, used letterbox companies to disguise financial flows, one must conclude: It stinks to high heaven! And the stink is especially strong at Deutsche Bank."

According to the prosecutor, more than 900 customers, with a business volume of more than 300 million euros, are alleged to have been handled by a Deutsche Bank subsidiary based in the British Virgin Islands in 2016 alone. According to media reports, this subsidiary is Regula Limited, which, in the wake of the Panama Papers and Offshore leaks, is suspected of tax evasion and money laundering. Deutsche Bank severed its links with the company only at the end of March 2018.

The extent of criminal activity revealed in the Panama Papers and Offshore leaks, especially at Deutsche Bank, is breathtaking. For example, through its subsidiary in Singapore, Deutsche Bank set up 309 dummy companies and trusts. Up until 2007, Mossack Fonseca helped

Deutsche Bank customers establish more than 400 front companies. The Deutsche Bank branch in Geneva maintained loan accounts for Nescoll Ltd. and Nielsen Ltd. until 2012. The two offshore companies at one point belonged to the daughter of Pakistani ex-prime minister Nawaz Sharif, now serving 11 years in prison for offences revealed in the Panama Papers.

Deutsche Bank is also involved in the ever-widening Danske case, the biggest money-laundering scandal in history. According to the Danish daily *Berlingske*, the Danish Danske Bank laundered 200 billion euros from Russia and former Soviet republics through its branch in Estonia between 2007 and 2015. The bulk of the money, about 130 billion euros, was forwarded from Estonia through Deutsche Bank.

And that is just the tip of the iceberg. Between 2010 and 2015, a total of seven raids took place at Deutsche Bank. Among other transgressions, the bank was suspected of tax evasion, making false statements, fraud and suspect stock transactions. According to a study by the London CCP Research Foundation, Deutsche Bank had to pay fines of more than \$14 billion between 2010 and 2014. Several thousand lawsuits are still pending.

Deutsche Bank also played a leading role in the criminal machinations that triggered the 2008 global financial crisis. A US Senate report released in 2011 devoted an entire chapter to the bank, identifying it as one of the main culprits in the crisis, alongside US investment bank Goldman Sachs and Washington Mutual bank. The report also documented the complicity of the credit rating agencies Moody's and Standard & Poor's, and the US banking regulator Office of Thrift Supervision.

The bank sold substandard assets and aggressively marketed high-risk collateralised debt obligations (CDOs). It did so despite, according to the Senate report, the "negative opinion of its leading CDO trader, falling values and deteriorating markets." Investors were kept in the dark in order to keep the "CDO machine" going and earning high profits. The end result was "multi-billion-dollar losses."

The *World Socialist Web Site* has analyzed how the increasingly criminal practices of Deutsche Bank were linked to its transformation into an investment bank. At the height of the Deutsche Bank crisis two years ago, the WSWS wrote:

For decades, it worked in close collaboration with key sections of German large-scale industry. But

with the growth of global finance capital, this business model became increasingly unviable, and at the end of the 1980s Deutsche Bank sought to turn itself into a global investment bank and aggressively targeted its rivals, particularly US banks. Its criminal activities in the US sub-prime market, mirroring those of US competitors such as Goldman Sachs, were part of this process.

Ten years after capitalist governments rescued the banks worldwide with trillions of dollars and organized the largest redistribution of wealth from bottom to top in history, none of the causes that led to the financial crisis have been resolved or dealt with in any fashion. On the contrary, bankers and politicians have expanded their criminal activities, creating in the process the conditions for an even bigger crash.

The share value of Deutsche Bank collapsed last Thursday and the bank emerged as the DAX stock index's biggest loser (minus 3.4 percent). On Friday, its shares lost another 2.86 percent and dropped to 8.06 euros, their lowest value in 38 years.

In a commentary at the start of last week with the apocalyptic title "The Plunge into Hell," the *Süddeutsche Zeitung* warned: "Should the rating agencies downgrade further papers, there is the threat of a big bang." The newspaper noted that almost 50 percent of corporate bonds in the US and Europe already belong to junk bond category. Even more "monstrous," it wrote, is "the balance, if you look at the volume of these papers: ten years ago in the US there were about \$800 billion of such dubious bonds, this mountain now exceeds three trillion dollars."

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