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Judge decries lenient treatment of banks but approves Barclays deal

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A federal judge Wednesday denounced the Obama administration's treatment of major global banks accused of violating U.S. laws, saying the government lets them off easy by declining criminal prosecution in exchange for payments of hundreds of millions of dollars.

"The public looks at this and says: 'They get a free ride here. They are paying for their j ustice. . . . They don't have to plead guilty,' " said U.S. District Judge Emmet G. Sullivan of the District, who nevertheless approved a $298 million forfeiture by Barclays Bank to settle criminal charges of violating U.S. financial sanctions against Cuba, Iran, Libya, Sudan and Burma. "Shareholders pay. The bank doesn't suffer."

In questioning the Barclays deal, Sullivan became the latest federal judge to criticize the Obama administration for being too lenient with giant banks. In recent months U. S. District Judges Ellen S. Huvelle of the District and Jed S. Rakoff of New York have balked at initial plans by the U.S. Securities and Exchange Commission to settle charges that Citigroup and Bank of America misled investors leading up to the 2008 financial crisis.

Sullivan objected to the use of deferred prosecution agreements to settle criminal charges against those accused of violating the Trading With the Enemy Act, which bars transactions with Cuba, and the International Economic Powers Act, which covers other countries.

Under the agreement, the government will defer prosecution of Barclays for two years. Charges will be dismissed if the bank meets its obligations, including training employees.

Assistant Attorney General Lanny A. Breuer defended the department's treatment of Barclays saying, "This serious conduct has now resulted in a serious sanction -- forfeiture of $298 million, a public admission of its illegal acts, and the implementation of stringent compliance measures."

Since January 2009, the U.S. government has agreed to settle similar criminal charges

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against a unit of Lloyds Bank for $350 million, Credit Suisse $536 million, and ABN Amro, which was purchased by the Royal Bank of Scotland, $500 million.

Sullivan called it "shocking" that neither Barclays nor the government identified any individual guilty of a crime.

Under the agreement Barclays acknowledged stripping identifying information at the request of banks in sanctioned countries and processing more than $500 million of their transactions with U.S. entities between 1995 and 2006 that were prohibited by the Treasury Department's Office of Foreign Assets Control.

Senior officials at Barclays disclosed to OFAC four transactions that violated the sanctions in May 2006 and reported spending $250 million on a subsequent investigation of transactions between 2000 and July 2007 and system improvements.