



# SIGTARP

Office of the Special Inspector General  
For The Troubled Asset Relief Program

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## **Mexican National Sentenced to Over 7 Years in Federal Prison for Scheming to Launder Money for Drug Trafficking Organizations**

Wednesday, United States District Judge Otis D. Wright II sentenced Pablo Hernandez, 80, of Tijuana, to 87 months in federal prison, after pleading guilty in November to conspiring to violate the Racketeer Influenced and Corrupt Organizations (RICO) Act.

The Mexican national plead guilty to a federal racketeering offense and admitted participating in a scheme to launder drug trafficking proceeds – which included attempting to purchase a bank to facilitate the money laundering.

Hernandez was one of 16 defendants named in a federal grand jury indictment unsealed in 2015 that alleged a series of money laundering schemes, some of which involved the Westminster-based Saigon National Bank (now known as California International Bank). Hernandez and a second defendant, Emilio Herrera, had a series of conversations and meetings with a purported money launderer – who actually was a confidential source – which included discussions about regular cash deposits in the U.S. that would then be wired to Mexico, court documents state. During negotiations with the confidential source, Hernandez and Herrera also asked the confidential source about moving money to other countries, but they discounted a proposal to send wire transfers to Panama because associates had lost \$100 million in drug money that was confiscated there.

After an account at Saigon National Bank that was used to launder funds was closed, Hernandez, Herrera and then-bank president Tu Chau “Bill” Lu discussed “the possibility of buying Saigon National Bank for the purpose of laundering money,” according to court documents.

In his plea agreement, Hernandez admitted having discussions with the confidential source “about laundering cash for the Sinaloa cartel for a fee,” prosecutors wrote in a sentencing memorandum. “[Hernandez’s] involvement in drug trafficking and associated money laundering activity is confirmed by a separate investigation by the California Department of Justice in 2014 in which defendant was identified as a drug broker and money launderer for a drug trafficking organization considered to be an extension of the Sinaloa Cartel.”

At the time of the fraud, Saigon National Bank was receiving funds from the U.S. Treasury under the Troubled Asset Relief Program.

“Treasury bailed out Saigon National Bank and other banks through TARP to stabilize the banks and increase lending, not to make them a safe haven for laundering drug trafficking proceeds,” said Special Inspector General Christy Goldsmith Romero. “Pablo Hernandez was sentenced to prison for his role in a criminal enterprise that used the bank to launder millions in drug trafficking proceeds while the bank was in TARP, and schemed to buy the bank to facilitate additional money laundering, including for a drug cartel. We commend Acting, United States Attorney Tracy Wilkison for standing with SIGTARP to combat TARP-related crimes.”

This case was investigated by the FBI, Office of Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and IRS Criminal Investigation.

As a result of this investigation – Operation “Phantom Bank” – a total of 25 defendants were named in six indictments. So far, prosecutors have secured the conviction of 15 defendants. Herrera died after being indicted in this case. The charges against Lu are still pending.

The Phantom cases are being prosecuted by Assistant United States Attorneys Kim Meyer and Joseph D. Axelrad of the Violent and Organized Crime Section.

To report a suspected crime related to TARP, call SIGTARP’s Crime Tip Hotline: 1-877-SIG-2009 (1-877-744-2009). To receive alerts about reports, audits, media releases, and other SIGTARP news, sign up at [www.SIGTARP.gov/pages/press.aspx](http://www.SIGTARP.gov/pages/press.aspx). Follow SIGTARP on Twitter @SIGTARP.

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