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Shady Securities

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Like so much floating jetsam, countless millions of dollars in stolen, counterfeit and altered securities are awash on the world's financial seas. No one knows exactly how much there is.

Yet organized criminals are circulating the stolen and spurious securities on a massive scale to finance heroin purchases, prostitution, assassinations, bookmaking, bribery, smuggling, loan sharking and labor racketeering.

The alarming new element in this ocean of fraudulent paper, aside from the increased volume, is that banks around the world are being used more and more to generate solid cash from bad securities.

"The Swiss are up to their necks in it," one frustrated federal investigator told us. Dubious bank deals have also been found in Belgium, Holland, Hong Kong, Lebanon, Luxembourg, Panama, Sweden, Thailand and West Germany.

All these securities—in single certificates, stacks and even bales—are sold at great discounts below their face value. The "inside" man, who tips the locations of the vault or the exact time of the securities shipment, and his free-lance confederate who pulls off the heist, may get only 10 cents on the dollar from the Mafia.

But the Mafia racketeers make a killing, some quite literally.

A few years ago, they might simply use a go-between and place the stock in a border-line bank for collateral on a loan. Or they could peddle it through a crooked broker, or sell it to an unwitting investor.

But now, far more sophisticated techniques are used to escape detection. In one common hustle, the Mafia sells the phony certificates for cash to

a failing company, sometimes going through a dozen intermediaries, each one a little "cleaner."

The failing company does not resell the certificates for cash, which would be risky. Instead, it simply puts the certificates in its safe. There, the unwitting accounting firm verifies the existence of the securities and duly approves the company's books.

Thus the spurious certificates are listed as assets by reputable accountants, enabling the firm to borrow money from a bank. If the company manages not to fail, no one is the wiser. If it does fail, the banks are usually protected by insurance, so they have no compelling reason to inquire into the integrity of the paper that has shored up the failing company.

Sometimes, the Mafia simply takes over the ailing firm in exchange for "saving" it, then milks it and bankrupts it. Or else the racketeers demand a major interest in it, ensuring steady income without a foot-pound of work expended.

The public has tended to think, when it thinks of it at all, that stealing securities is a white-collar crime. But we have been able to trace some major securities hustlers directly into narcotic trafficking and other vicious crimes.

• Sebastian "Buster" Aloï, a major South Florida mobster, has been identified by Sen. Henry Jackson's Investigations Committee as a stolen stock dealer. Our check of federal narcotics files shows he is also a bigtime heroin dealer. Other government records show he has a record for bank robbery, loan sharking and extortion activities.

• Jimmy "Jimmy Legs" Episcopia and Robert Perrette, of New York (not

to be mistaken for innocent citizens with similar names) are both shown in federal records as stolen securities men. We found them also listed in investigative files as drug hustlers.

• George "Blah Blah" Smurra, another bigtime hood and Vincent Rizzo, are two more Mafia men tied in official records to stock thefts. Both show up in federal narcotics files as traffickers. Smurra, in addition, is identified in the famous "Valachi" hearings, 10 years ago as a lieutenant of the late crimelord Vito Genovese.

• Joseph Camperlengo, a nightclub operator in Florida, is also identified as a stolen stock entrepreneur. Narcotics agents told us he is listed as a dope figure.

The worst of the gigantic problem is that there is no present solution. An American Bankers Association spokesman sighed over the difficulty of checking out every security put up for collateral to see whether it is stolen.

"The pedigree of a stock sometimes looks like the New York city phone directory," he said. He defended American banks against charges they knowingly take stolen bonds, saying: "If we were accessible to organized crime, then the criminals wouldn't have to go overseas to dispose of the phony paper."

The dangers in transporting huge quantities of bonds, the huge personnel and paper turnover in brokerage firms, and the genius of modern counterfeiters make thorough enforcement impossible. Even the FBI, though it has done some brilliant investigating, cannot fully cope with the ingenuity of the mobsters and their munificently paid accountants and lawyers.