

ADL's Sterling Bank sued in Italian Mafia case

by David Goldman

Sterling National Bank, which handles all financial operations for the Anti-Defamation League of B'nai B'rith, financed a \$27 million fraud operation for jailed Sicilian mafioso Michele Sindona in 1974, according to a legal suit filed in Federal Court Jan. 29 by representatives of the Italian government. The suit was filed days after the freeing of U.S. General Dozier by Italian anti-terror police, and in the midst of an Italian government sweep against Mafia dope traffickers, Sindona among them, who finance the Red Brigades terrorists.

Days before the suit was filed, the Italian authorities announced that they have corroborated Sindona's year-old confession that he had jumped New York bail in 1979 in order to join a Sicilian mob plot to overthrow the Italian government—the confession that led to the uncovering of the now-infamous Propaganda 2 terror and dirty-money operation in Milan in May 1981.

Sindona's partners in crime in New York City, according to the Italian government's court papers, included former Treasury Secretary David M. Kennedy and the Sterling National Bank, whose present Chairman of the Board, Theodore Silbert, is a past national chairman of the Anti-Defamation League of B'nai B'rith (ADL). Apart from its fiduciary role for the ADL, which in 1973 invested \$400,000 of its total \$405,000 in assets with Sterling, the New York-based bank's management includes top ADL officials. While Silbert served as ADL chairman and was ADL Treasurer until 1979, the bank's former chief attorney, Kenneth Bialkin of Willkie, Farr, Gallagher, is the ADL's present national chairman.

Starting in 1979, the ADL began a national campaign to tag National Democratic Policy Committee adviser

Lyndon H. LaRouche, Jr., as an "anti-Semite." LaRouche had commissioned a 1978 bestseller, *Dope, Inc.*, written by this writer and Jeffrey Steinberg, which identified a handful of aristocratic Jewish families as junior partners in the Hong Kong drug traffic. The *Dope, Inc.* charges were subsequently corroborated in a 1980 French-published bestseller by *L'Express* journalist Jacques Derogy.

Among the banks identified in *Dope, Inc.* as a laundromat for narcotics money was the Israel Discount Bank, controlled by the Italian-Jewish Recanati family. Sources at Sterling National Bank's investment adviser, Lazard Frères, say that a controlling interest in Sterling National Bank's stock is secretly held by the Recanati group. In a telephone interview today, Sterling Chairman Theodore Silbert denied that the Recanati controlled Sterling.

The Sindona scam

The Italian government's court papers show, in painstaking detail, how Michele Sindona and his associate, former Continental Illinois Bank Chairman and Nixon administration Treasury Secretary David M. Kennedy, used the ADL bank to milk \$27 million out of a failing institution Sindona controlled in Italy. After Sindona's Franklin National Bank went to the brink in May 1974, when it reported large foreign exchange losses, Sindona scrambled to loot his bankrupt banking empire for all the cash he could before the authorities closed in.

Sindona funneled the \$27 million out of the soon-to-be-bankrupt Banca Privata Italiana, his Italian vehicle,

into a set of Chinese-box financial fronts in Switzerland, the Italian lawsuit reports. He then transferred the money into Franklin National Bank, and used it to buy shares in Talcott National Company, a New York-based factoring company.

Then, on Sept. 26, 1974—with most of his financial empire in the glare of liquidation—Sindona gave Sterling National Bank an option to buy the Talcott shares. On the same day, Sterling lent the near-bankrupt financier \$2.5 million, using the same shares as collateral for the loan. In the following 18 months, Sterling then sold the shares off to Sindona business partner David Kennedy, “with money paid entirely by Sterling Bank,” according to the Italian court papers.

The Italian representation points out, “Sterling Bank could not lawfully hold the shares” in Talcott, a financial company, “without Federal Reserve Board approval,” which is required for all acquisitions of this kind. “Approval was never sought or obtained . . . by Sterling Bank.”

Throughout the period while Sterling was doing Sindona’s illegal business, the Mafia financier’s financial troubles were the subject of daily financial press headlines. Franklin National Bank’s imminent failure was in the headlines starting in May, and would have failed before its doors formally closed in October 1974, except for the obstinacy of Controller of the Currency James E. Smith, a personal protégé of former Treasury Secretary David Kennedy, Sindona’s business partner since the 1960s. The Controller of the Currency is the Treasury Department official responsible for commercial bank regulation. Meanwhile, two of Sindona’s banks, Banca Privata Italiana and Bankhaus Wolff in West Germany, had already been forcibly liquidated as of September—weeks before Sterling’s loan to Sindona.

Sterling Bank Chairman Silbert pleaded ignorance in a telephone interview today. “All this occurred prior to the public exposure of Sindona as an evil-doer. The loan was a good risk and a secured loan. Mr. Sindona was a member of the board of Franklin National Bank, and there was no reason to suspect him.” When it was pointed out that the loan had been made five months after Sindona’s trouble was in the headlines, Silbert sputtered, “I can’t possibly comment on that.”

All the trees in the forest

Italy’s decision to press the case against Sterling Bank on Jan. 29 represents a new, and possibly critical, flank in the anti-terror investigation which freed General Dozier. By first putting top Italian bankers and politicians under brutal investigative pressure, and then conducting the biggest-ever roundup of Sicilian mob heroin traffickers, Italian police collected the information required to pinpoint terrorists’ hideouts and to free the captive.

The lawsuit against David M. Kennedy and Sterling

puts a spotlight on the relationship between the gutter-level Italian mob, for whom Michele Sindona is a confessed bagman, and “citizens above suspicion” in the United States, including the Jewish branch of the American Mafia.

Especially embarrassing in the Sterling case is the presence on Sterling’s board of directors of Maxwell Rabb, a top Republican Party fundraiser and now the American Ambassador to Italy. In effect, the Italian government is suing the American Ambassador’s company for bankrolling a man who has confessed to a role in a terrorist plot to overthrow the Italian government!

Apart from his role at Sterling, Rabb was formerly the chief executive officer of a shady company known as International Airport Hotels, since publicly exposed as a business front for mob financier Meyer Lansky.

Another board member of Sterling National is Washington lawyer Eugene Rossides, a partner at Rogers and Wells, the firm headed by former Secretary of State William Rogers. Rossides was brought to Washington by David M. Kennedy as Assistant Secretary of Treasury for Enforcement while Kennedy was Treasury Secretary, and put in charge of such vital functions as Secret Service, U.S. Customs, and the Alcohol, Firearms, and Tobacco Bureau. Rossides became hated in law enforcement circles after he watered down provisions of the 1970 Bank Secrecy Act to the point that police cannot stop export of U.S. currency—a favorite mob vehicle for laundering drug profits, which are taken to the Bahamas in cash and turned into “legitimate” bank accounts safe from the eyes of law enforcement.

David Kennedy, who is now a senior official of the Mormon Church in Salt Lake City, has a number of interesting questions to answer. According to the London Sunday *Times* of July 20, 1980, Sindona was the paymaster for an abortive fascist coup plot in Italy, which subsequent investigation showed to be linked to the Propaganda 2 Freemasons’ group. The plot, known as the “Rosa dei Venti,” or “points of the compass” conspiracy, was hatched out at NATO headquarters in Verona, Italy—and took place while Sindona’s old business partner David M. Kennedy was U.S. Ambassador to NATO, a post he took after leaving the Treasury Department in 1970.

The connection between Kennedy and his old aide Rossides on one hand, and Sterling National Bank, whose principal business is in New York’s garment center, takes the investigation into some of the ugliest reaches of international politics. Asked what brought Sterling, a principally Jewish bank, and Italian high-flyer Sindona into the same swindle, a source at Lazard, Sterling’s investment banker said, “Sindona was the mob; the mob controls the New York garment center; and all of Sterling’s business is in the garment district. It’s that simple.”

But the shadowy Recanati family, the reputed power behind Sterling National Bank, is part of an 800-year-old financial elite, with operations throughout the Mediterranean, and a controlling position in the Israeli diamond trade through Israel Discount Bank, as well as major New York-based ship-owning interests. They figure prominently in the dirty-money world of "Dope, Inc.," and, according to well-informed Israeli sources, have a special role as financiers to Menachem Begin's Likud Party.

Italy's charges against the Recanati's New York front, Sterling Bank, and recent charges by Italian government investigators that the Israeli Mossad, or foreign secret service, is involved in the Red Brigades, may not be entirely coincidental.

A 'Gaullist solution' against the mafia?

by Paolo Raimondi

More than one-fifth of the Italian national budget—some \$25 billion—is estimated to be under the control of Mafia banks. But with the indictment of large chunks of the heroin Mafia in Sicily on Feb. 25, the Italian government has started to open the fight against the "submerged economy" that has prevented economic development. A probe has begun into the mushrooming of banking activities in Sicily. In 1979, for example, the volume of banking activity rose by 400 percent in Sicily alone.

The move against the drug Mafia's banking network is also beginning to touch its protectors in the Socialist Party. In early February, the government decided to withdraw the passport of the President of the Banca Nazionale del Lavoro, Nerio Nesi, because of the bank's shady-money dealings. Nesi, a longtime member of the Mancini wing of the Italian Socialist Party (Giacomo Mancini was formerly Secretary-General of the party and still rules in his home base of Calabria), is the personal banker of Bettino Craxi, the current head of the Socialist Party.

As the man responsible for Socialist Party funds, Nesi is under investigation for bailing out a construction firm with illegal monies. But he is also known to be the banking connection between the Mafia and the British Hong Kong market, and is the biggest promoter of free enterprise zones in Italy.

Before becoming president of the Banca Nazionale del Lavoro, one of Italy's three powerful national banks, Nesi was the director of the Turin bank, the Istituto San Paolo di Torino, which is also dominated by the Social-

ists. It was to the Istituto San Paolo that Democratic National Committee Chairman Charles Manatt sold the controlling interest in his California bank in mid-1980.

In related developments, on Jan. 29 the Sicilian branch of the Confederation of Italian labor unions, which encompasses both the Communist-linked CGIL and the Catholic-dominated CSIL, presented the Italian government with a two-point program to close the black market. The trade-union leaders stressed in their statement that the proposal had the backing of the national Confederations with headquarters in Rome.

The plan would have the government establish strict controls on flight capital and on Italian capital and firms operating abroad. The unions demanded that the government be able to lift strictures guaranteeing banking secrecy if the authorities suspect the bank, firm or individual of involvement in dirty money operations. The unions requested the government to take responsibility for confiscating capital that police have determined are illegal.

To realize this program, the unions offer full support to the Italian government by a mass mobilization of labor in factories and cities.

The trade-union proposal could be the first step toward realization of Lyndon LaRouche's 1980 "Gaullist Solution for Italy's Monetary Problems," a proposal for a financial reorganization using a "heavy lira" like the "heavy franc" reform launched by French President Charles de Gaulle in 1958. It also pays homage to the courageous fight waged by Palermo Judge Costa, the man who first denounced the Sicilian Mafia's banking operations and demanded an investigation into the Bank of Italy. Two years ago, Judge Costa was murdered in Sicily.

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