

REMARKS BY ATTORNEY GENERAL LEFKOWITZ
BEFORE SENATE INTERNAL SECURITY SUB-
COMMITTEE-JAMES O. EASTLAND, CHAIRMAN,
ON JUNE 14, 1957 IN NEW YORK CITY

On April 23d of this year I obtained in the Supreme Court of New York County, an order requiring a Swiss bank, S.A. DePlacements Mobiliers of 9 Corretorie, Geneva, Switzerland, to appear in court on June 14, 1957, with records, and to explain certain transactions, acts and practices involving the offer and sale of securities in New York State which my office deemed relevant to an action which it was our intention to commence in the near future against such bank. Also asked to appear at that time was another bank, Ferrier Lullin et Cie of 15 Rue Petiot, Geneva, Switzerland, to explain the handling of investments made by that bank in bearer shares of S.A. DePlacements Mobiliers, which I shall hereafter refer to, for the sake of convenience, by the name by which this bank is known in financial circles, Placemobile.

During the course of an investigation by my office of the activities of Placemobile we were amazed to learn that the ownership of this bank, which was doing a world-wide business, including business in New York, was actually in the hands of persons and firms residing behind the Iron Curtain. We learned of this fact through a prior investigation of the activities of one Charles Robert Stahl, who has fled this jurisdiction, and who is now known to be residing in Rio de Janeiro, Brazil. On March 7, 1957, Stahl consented to a judgment of permanent injunction barring him permanently from the securities business in this State, which consent was signed by him before a Vice Consul of the United States in Rio de Janeiro, Brazil.

After having arrived in Switzerland after World War II, under circumstances still unknown to my office, Charles Robert Stahl soon established, dominated and controlled a new banking house in Geneva, Switzerland, under the name of S.A. DePlacements Mobiliers, also commonly referred to as Placemobile. He maintained control in his own name and that of his wife, as well as dummies, until 1953. This information comes from the application filed by Stahl and signed by him when he sought membership in a New York Stock Exchange firm. That firm, dePontet & Co. Inc., members of the New York Stock Exchange, of 40 Wall Street, New York, N.Y., which has now ceased doing a securities business in New York State, took on Stahl as Chairman of the Board of Directors and as its chief officer in New York and the United States. The other officers of that firm continued to concentrate their efforts on European business, operating chiefly from Monaco, Cannes and Geneva, Switzerland.

Prior to the time that he became associated with dePontet & Co., Stahl also set up and controlled, in conjunction with others, the securities house of Stahl, Miles & Co. Ltd., of Edmonton, Alberta, Canada. By the establishment of Stahl Miles and Placemobile as new firms, in only a few years, and the incorporation of a stock exchange seat which he controlled in New York, Stahl had established an international organization for operations in the securities business in Canada, Geneva and New York.

My office has information indicating that persons in eastern European countries behind the Iron Curtain, by the use of nominees residing in Switzerland, purchased a 50%

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interest in Placemobile in 1955, using a devious and circuitous method for transfer of the funds to make the purchase, that included the use of banks throughout the world. The shares of stock were bearer shares and they are presently in the hands of Ferrier Lullin et Cie, an apparently reputable banking firm in Geneva, which, we are informed, will transfer such shares only on instructions from Charles Robert Stahl, although the account in which these shares are held is in a fictitious name.

In the case of one corporation, Green Bay Mining & Exploration, Ltd., of Alberta, Canada, the east European interests referred to above, by the control of Placemobile, were able to place this corporation, which was devoted to the development of lithium properties, under financial control and domination while maintaining the anonymity of ownership permitted under Swiss law. Placemobile also sold units of a fund known as Canabuild Ltd., of Edmonton, Canada, to persons throughout the world, including persons in New York. Under the set-up of the Canabuild enterprise, Placemobile acted as trustee and issuer of all securities of the fund and was supposed to retain the securities purchased with the proceeds invested by members of the public. In just two short years this fund amassed almost \$2,000,000 worth of securities in American, Canadian, British and Dutch companies, including Gulf Coast Leaseholds, Canadian Anaconda Oils, Ltd., Frobisher Ltd., Green Bay Uranium Ltd., Imperial Oils Ltd., International Nickel Co. of Canada, Ltd., British Petroleum, Royal Dutch Petroleum, Ltd., Sherritt Gordon Mines, Ltd., and other companies. I wish to emphasize that none of these

companies, except Green Bay, are involved in the inquiry by my office.

No doubt the Canabuild enterprise, if successful, would have succeeded in acquiring ownership of fantastic amounts of securities in Canadian, British and American corporations, if Stahl, the dominant figure behind this venture, had not encountered troubles because of the fraudulent skyrocketing of Green Bay stock and the improvident and fraudulent misuse by him of securities owned by American and Swiss customers of Placemobile.

In our court papers, we charged Placemobile with essentially two fraudulent practices in violating the New York statute. The first of these was taking part in the conspiracy resulting in a \$6,000,000 stock fraud involving misrepresentations in the offer, issuance and sale of Green Bay Mining & Exploration, Ltd. stock. Secondly, we alleged that persons who were buying securities of which the Swiss bank was a principal, were defrauded by concealment of the fact that persons behind the Iron Curtain were the chief participants in the Placemobile venture.

Since our investigation began we have been informed officially from Swiss sources that the Placemobile bank has been adjudged bankrupt and that the Attorney General of the Canton of Geneva is exploring the possibility of criminal charges being brought against Stahl and Placemobile in Geneva. We have been asked to cooperate with them and we shall do our best.

Today was the return date for the order secured by my office with reference to S.A. DePlacements Mobiliers and Ferrier Lullin et Cie. Because the administrators in bankruptcy of Placemobile in Geneva have requested a delay in these proceedings, we have adjourned the return date of this order from June 14, 1957 to July 12, 1957. Insofar as Ferrier Lullin et Cie. is concerned, a representative of this bank, subsequent to the issuance of the court order referred to above, voluntarily made himself available for interrogation by our office and did give sworn testimony concerning the above transactions, which is deemed by us as satisfying the purposes of the court order as respects that firm.