As one with both a specialty and a powerful interest in white-collar criminal defense and securities litigation, I was looking forward to reading Charles Gasparino's Circle of Friends, an eminent investigative journalist's latest tome on the current day insider trading taking place on Wall Street. After all, Mr. Gasparino's earlier work chronicling the career of Richard Grasso, the former head of the New York Stock Exchange (King of the Club) was both informative and a dazzler, indeed, for business and lay people alike.

Having now completed Circle of Friends, I can honestly say it was a decent read, and worth the effort. Nonetheless, I would be less than candid if I did not add that I was a tad disappointed (and not just because of the hat I wore) and am bedeviled with inexcusable in a book of this nature). Although Mr. Gasparino's writing was lucid and lively as always, the first two chapters alone make it eminently clear that the author has his own axe to grind in chronicling the government's efforts to stamp out insider trading.

Mr. Gasparino's particular axe is the recent financial crisis and bank bailouts of nearly five years ago, what many of us (this writer included) rightly call the Great Recession. In the first fifty pages or so of Circle of Friends, the author ridicules the federal government for what he views as an abject failure to bring to heel the major banks and investment houses for their hysterical risk taking and the subsequent need for these reckless bankers to be bailed out by taxpayers for money. Moreover, both at the book's center and at its conclusion, he openly denounces the government's (still largely ongoing) failure to bring to justice the culprits behind the financial meltdown.

Indeed, Mr. Gasparino evinces a powerful skepticism, in the opening pages and elsewhere, that the government had less than stellar motives in pursuing rings of Wall Street types trading on nonpublic material information, while ignoring the malefactors who inflicted far more severe and long lasting damage to the national economy. What is more, the wallflower: further into Circle of Friends, he practically lambasts SEC enforcement agents and federal prosecutors from New York's Southern District as politically savvy publicity seekers who are managing their own careers by going after the "low-hanging fruit" of the worst of the insider traders (and truly, he uses that very term desirously to characterize the cases the government brings as opposed to pursuing the titans of banking).

That's not to say Mr. Gasparino does not have a point. He does. But why then characterize this book as an exposed on insider trading, if its extended opening and subsequent missives allude to the financial meltdown and the need to prosecute those responsible for it? At times, my impression was that the author's real desire was to write about the Great Recession and its causes, but he demurred to the insider trading cases because of the ready availability of source material and its more headline-grabbing nature.

From that opening, we can turn to the substance of Circle of Friends. Not getting into the book, the author makes the requisite survey of the origins of the insider trading law and the seminal cases. To be sure it's a book, not a law review article, so I don't fault Mr. Gasparino for going lightly on the highlights.

Nevertheless, for a writer of his skill and experience, I found some of his commentary lacking in fairness of presentation. For instance, he takes the opportunity to point out various purely academic arguments (not to mention much disfavor that insider trading is a victimless crime. In this regard, I fault the writer, not for expositing this counterargument, but because he gives the appearance that he raises it more to buttress his own notion that insider trading was unworkable of prosecution while the economy was in melt-down and that, the Street fat cats that caused it got off scot-free.

In truth, Circle of Friends gets off to a slow start. But then it begins to redeem itself. And if you follow Wall Street or other white-collar cases, the book actually starts to become a fun read. Mr. Gasparino takes us behind the headlines of the most recent prosecutions, including Raj Rajaratnam, Rajat Gupta, the colorful "Octopus" Zvi Goffer and their ilk, and gives an inside peek as to how the government, particular some very dedicated SEC, FBI, and FBI agents, skillfully took down computer printouts of suspicious trades and converted that morass of data into "human intelligence," i.e., cooperating witnesses, physical surveillance, and wiretaps.

Here is something all of us in the profession can enjoy. Gasparino catalogues how the U.S. Attorney's Office for the Southern District, having successfully prosecuted the old-school gangsters via these methodologies in the "Commission" and similar racket cases, is now, in the same strategies against a much better dressed, but no less heinous, bunch of crooks.

Yet even here the author spares no one. In recounting one near miss in the Rajaratnam trial, Mr. Gasparino is unabashed in describing how the government narrowly avoided having untold hours of wiretapped conversations suppressed because of infirmities in the wiretap application. Frankly, it is most enlightening as to the tactics and the mindset of prosecutors as to how to secure the same electronic surveillance in an increasingly electronic world. As to whether Mr. Gasparino's take on the government's vigorous pursuit of wiretaps in white-collar cases is correct, I cannot say at this time. But it is worth thinking about for those of us in the business.
Another point of great interest is Circle of Friends’ virtual indictment of the entire hedge fund industry. In so many words, Mr. Gasparino asserts that the entire raison d’être of a hedge fund is to beg, borrow, or just plain steal inside information from those all too willing to be bribed. He describes in detail how the hedge fund folks euphemistically call such material, nonpublic information “actionable intelligence,” and then bury it underneath a mountain of data. In what hedge fund traders call the “mosaic theory” of stock-picking, all this is undertaken in order to make it impossible for the government to link specific buys and sells to misappropriated insider dope.

Ironically, Circle of Friends proves the supercilious “mosaic theory” doesn’t work as a defense in white-collar cases, with the Rajaratnam case providing an apt roadmap for further prosecution and defense strategies. But all in all, the book is truly insightful as to the clever and insidious lengths these well-educated, already successful and affluent hedge fund types will go to in order to absolutely, positively vacuum up every last dollar they can.

Speaking of hedge funds, have no fear; Mr. Gasparino incorporates as a major part of this book the ubiquitous yet secretive SAC Capital, Inc., and its eponymous founder, Steven A. Cohen. Circle of Friends was completed prior to SAC’s indictment in July of 2013 for insider trading, money laundering, and related charges (and as of this writing, Mr. Cohen has never been indicted personally).

Notwithstanding, the author writes in depth about SAC and Cohen, essentially using the two as a template to explain what a hedge fund is and how it works (both questions still difficult to answer these days), and highlighting what is fundamentally flawed, if not illegal, about how hedge funds trade and make money.

The author is particularly scathing in his criticism of Cohen, asserting that the latter created at SAC a dystopian culture of avarice that does not simply use, but rather demands, insider information to feed the hedge fund beast, and the securities laws be damned. Notably, we see here the inspiration for the book’s title.

Mr. Gasparino’s fundamental thesis is that the entire hedge fund industry (and much of traditional Wall Street) is founded upon “circles of friends,” whereby sharp-elbowed traders literally purchase inside information from corporate insiders and informants, and make money from it. Subsequently, these same stock market cheaters utilize that success to enlarge their own circle or interconnect it with similar subsets of informants and traders, in an unending, ever growing web of corruption.

But fear not; for justice is served. At the end of the day, Circle of Friends is a chronicle of how the government, via methods once used to crack organized crime, got “inside” these circles, and turned them inside out.

In closing, let me be clear. Ultimately, I enjoyed reading Circle of Friends, and I do recommend it to you. To be sure, if you are more in accord with the author’s point of view on the Great Recession and the government’s perceived laxity in going after the true villains behind it, you probably will enjoy it even more.

If you look somewhat askance at Mr. Gasparino’s opinions, be ready to agree to disagree. But that’s fine; it is still worth reading, for this important reason.

Regardless of our respective disciplines in the practice of law, these eternal truths transcend all; in our profession, we sometimes encounter very vile people who quite voluntarily do harm to others. These miscreants can be highly educated, well dressed, and wealthy to the point that what motivates them to steal is unfathomable. But most of all, they can be clever and duplicitous, sometimes to a dangerous extreme. At the end of the day, Circle of Friends is highly informative as to the ways of these really bad guys, and how they can be successfully stopped.