

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2673 / October 24, 2007**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 28022 / October 24, 2007**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12611**

**In the Matter of**

**GEOFFREY BROD,**

**Respondent.**

**ORDER MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS AND A  
CEASE-AND-DESIST ORDER PURSUANT  
TO SECTION 203(f) OF THE INVESTMENT  
ADVISERS ACT OF 1940 and SECTIONS 9(b)  
AND 9(f) OF THE INVESTMENT COMPANY  
ACT OF 1940**

**I.**

The Securities and Exchange Commission (“Commission”) has instituted public administrative and cease-and-desist proceedings on April 9, 2007 pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) against Geoffrey Brod (“Respondent”).

**II.**

Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 203(f) of the Investment Advisers Act of 1940 and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### **RESPONDENT**

1. Geoffrey Brod, 64 and resides in Avon, Connecticut. From 1996 to 2003, Brod was a portfolio manager at Aeltus Investment Management, LLC, an investment adviser registered with the Commission. From 1996 to 2001, Brod managed the portfolios of several investment companies registered with the Commission and advised by Aeltus. From 2001 to 2003, Brod managed a hedge fund affiliated with Aeltus.

#### **OTHER RELEVANT ENTITY**

2. Aeltus Investment Management, LLC (now known as ING Investment Management Co.) is an investment adviser registered with the Commission since January 7, 1973. Located in Hartford, Connecticut, it currently manages both ING mutual funds that are registered with the Commission as investment companies as well as private client accounts. As of September 1, 2005, Aeltus managed nearly \$60 billion in assets. It was a wholly-owned subsidiary of Aetna, Inc. until December 2000, when it became an indirect wholly-owned subsidiary of ING Group. Aeltus changed its name to "ING Investment Management Co." in July 2004, but it will be referred to throughout this Order as "Aeltus" because that was the name of the entity during the period of the violations alleged.

#### **OVERVIEW**

3. This matter involves antifraud and reporting violations resulting from undisclosed personal stock trading by Geoffrey Brod, a former portfolio manager at Aeltus Investment Management, LLC (now known as ING Investment Management Co.), an investment adviser to certain mutual funds. From 1999 through 2003, Brod engaged in active personal short-term trading in stocks of public companies, including stock held or to be acquired by mutual funds under his management. During this period, Brod executed about 3,500 personal trades in stocks. Brod concealed the trades by failing to disclose them as required by Commission Rules and Aeltus' Code of Ethics, and by falsifying internal reports. As a result, Brod willfully violated certain antifraud and reporting provisions of the Investment Company Act and rules thereunder.

#### **BROD'S STOCK TRADING ACTIVITY**

4. From 1999 through 2003, Brod engaged in active personal short-term trading in public company stocks, including stocks of companies held or to be acquired by mutual funds under his management. Brod's trading methodology dictated an extremely short-term trading

---

<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

pattern. From 1999 through 2003, Brod executed approximately 3,500 personal trades in stocks, and the holding period was usually two to seven days.

5. The Commission's rules required Brod to submit to Aeltus quarterly and annual reports of his personal securities transactions during the quarter or the year. In addition, Aeltus' Code of Ethics, which applied to Brod, contained further restrictions on when and how Brod could trade in securities. Aeltus' Code of Ethics (i) required pre-clearance of all securities trades by portfolio managers, (ii) prohibited "Frequent Securities Transactions," which the code defined as more than 30 securities transactions in a quarter, (iii) prohibited short-term trading and required a holding period of 60 days to avoid conflicts of interest, (iv) required quarterly and annual reporting of all securities transactions and holdings, and (v) required annual certification of compliance with the Code. Aeltus' compliance department conducted annual NASD compliance meetings, in which employees were educated about, and reminded of, their obligations related to insider trading, personal trading, and outside business activities. Brod attended the annual compliance meeting from 1999 to 2003.

6. From 1999 through 2003, Brod failed to comply with the Commission's reporting requirements and Aeltus' Code of Ethics with regard to his personal stock trading. Brod did not pre-clear or report his trades, and his short-term trading did not comply with Aeltus' required 60-day holding period. To conceal his trading, Brod submitted false quarterly and annual reports to Aeltus stating that he had no securities transactions or securities holdings to report for the periods, and falsely certified his annual compliance with Aeltus' Code of Ethics.

### **VIOLATIONS**

7. Section 17(j) of the Investment Company Act prohibits persons affiliated with a registered investment company (a "fund" such as a mutual fund) from engaging in any acts, practices, or courses of business in connection with the purchase or sale of a security held or to be acquired by the fund that violate the Commission's rules adopted to prevent fraud. Rule 17j-1(b) (formerly Rule 17j-1(a)) makes it unlawful for persons affiliated with a Fund to, among other things, engage in any act, practice or course of business that operates or would operate as a fraud or deceit on the Fund in connection with the purchase or sale, directly or indirectly, of a Security Held or to be Acquired by a Fund.<sup>2</sup> Rule 17j-1(d) (formerly Rule 17j-1(c)) further requires that persons employed by an investment adviser who have access to a fund's portfolio must timely submit reports regarding personal securities trading.

8. As a result of the conduct described above, Brod willfully violated Section 17(j) of the Investment Company Act and Rule 17j-1(b) (formerly Rule 17j-1(a)) thereunder. With access to important information about mutual funds he managed, Brod made, but did not disclose, thousands of transactions in public securities, including many stocks held or acquired by the funds that he managed. In addition, by submitting false quarterly and annual securities transactions reports and falsely certifying his compliance with Aeltus' Code of Ethics between 1999 and 2003, Brod made misrepresentations and omissions to the mutual funds he managed.

---

<sup>2</sup> A Security Held or to be Acquired by a Fund is defined by Rule 17j-1(a)(10).

Brod's overall conduct described in paragraphs 4-6 above constituted a "practice or course of business that operate[d] . . . as a fraud or deceit on the Fund[s]" in violation of 17j-1(b)(3).

9. Also as a result of the conduct described above, Brod willfully violated Section 17(j) of the Investment Company Act and Rule 17j-1(d) (formerly Rule 17j-1(c)) thereunder by failing to report thousands of securities transactions and holdings that he was required to report given his access to the mutual funds' portfolios.

### **RESPONDENT'S COOPERATION**

10. In determining to accept the Offer, the Commission considered cooperation Brod afforded the Commission staff during its investigation.

### **IV.**

In view of the foregoing, the Commission deems it appropriate in the public interest to impose the sanctions agreed to in Respondent Brod's Offer.

Accordingly, pursuant to Section 203(f) of the Advisers Act and Section 9(b) and 9(f) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Brod cease and desist from committing or causing any violations and any future violations of Section 17(j) of the Investment Company Act and Rule 17j-1 promulgated thereunder;

B. Respondent Brod be, and hereby is barred from association with any investment adviser, and is prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter;

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. IT IS FURTHERED ORDERED that Respondent shall, within 20 days of the entry of this Order, pay disgorgement of \$63,892.67, prejudgment interest of \$11,107.33, and a civil money penalty in the amount of \$100,000.00 to the United States Treasury. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank

money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Brod as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Michele Wein Layne, Associate Director, Los Angeles Regional Office, Securities and Exchange Commission, 5670 Wilshire Boulevard, 11<sup>th</sup> Floor, Los Angeles, California 90036.

By the Commission.

Nancy M. Morris  
Secretary