STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS **SECURITIES DIVISION**

IN THE MATTER OF DETERMINING whether there has been a violation of the Securities Act of Washington by:

IOANNIS "JOHN" EMMANOUIL SPYRIDAKIS (CRD No. 5542016),

Respondent.

Order Number S-14-1475-16-CO01

CONSENT ORDER

INTRODUCTION

Pursuant to the Securities Act of Washington, Chapter 21.20 RCW, the Securities Administrator of the Department of Financial Institutions Securities Division ("Securities Division") and the Respondent, Ioannis "John" Emmanouil Spyridakis, do hereby enter into this CONSENT ORDER in settlement of the matters alleged herein. The Securities Division believes that entry of an agreed Consent Order is in the public interest and is appropriate for the protection of investors. Respondent neither admits nor denies the Findings of Fact and Conclusions of Law stated below.

FINDINGS OF FACT

Respondent

Ioannis "John" Emmanouil Spyridakis ("Spyridakis") was a registered in Washington State 1. as securities salesperson from July 2008 to January 2009 and as an investment adviser representative from December 2010 to August 2011. Spyridakis was born in Greece and currently resides in New York. From approximately November 2009 to August 2011 he resided in Washington State. His Central Registration Depository ("CRD") number is 5542016.

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Nature of the Conduct

- 2. In approximately November 2009 Investor A, a Washington resident, met Spyridakis through a church friend. Spyridakis represented to Investor A that he was previously employed as a securities salesperson in New York at a large investment bank for a year when he was only employed for 6 months. Spyridakis failed to disclose that this employment was terminated by his employer for violating company policy.
- 3. Spyridakis told Investor A that he wanted to start a hedge fund and that the hedge fund would be profitable. Spyridakis stated that the hedge fund would generate a \$10,000 return per year on a \$50,000 investment.
- 4. Spyridakis told Investor A that he had a Master's of Science in Financial Mathematics from the University of Chicago and a Master's of Arts in Statistics from Columbia University. Spyridakis told Investor A that he developed a mathematical algorithm for the hedge fund; however, Spyridakis did not disclose the details on the algorithm such as that it was not tested and that past performance is not a guarantee of future performance.
- 5. Spyridakis also told Investor A he was from a wealthy Greek family that was paying his personal expenses while he was in the United States. Because of these representations Investor A believed that Spyridakis did not need money to pay his personal expenses.
- 6. Spyridakis asked Investor A for funds to set-up the hedge fund. Spyridakis told Investor A he would use the funds to set-up the hedge fund generally and would have sole discretion over how the funds were spent. Investor A understood that the money was to be used *to set up a hedge fund*, as opposed to being invested in a hedge fund. Spyridakis did not tell Investor A, and Investor A did not independently know what setting up a hedge fund entailed.
- 7. Based on Spyridakis' representations, on or about February 1, 2010, Investor A gave Spyridakis \$170,000. Spyridakis gave Investor A a promissory note evidencing the investment that stated Investor A would be repaid \$170,000 plus \$30,000 interest for a total of \$200,000. Spyridakis did

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not provide Investor A with any documentation or disclosure about his investment or the risks of the investment other than the promissory note. Spyridakis did not orally disclose the risks to Investor A. Investor A did not receive a security interest in exchange for the \$170,000.

- 8. Spyridakis asked Investor A for additional funds. However, he failed to provide Investor A with information or an accounting of how the initial investment was used. He failed to disclose that the initial investment was used in part to pay Spyridakis' personal expenses, in part to test the algorithm, and in part to set-up the hedge fund. Spyridakis did not provide Investor A with any financial information or disclose that the investment would be used to pay Spyridakis' living expenses and to test the algorithm in addition to setting up the hedge fund.
- 9. Investor A gave Spyridakis an additional \$100,000 in June 2010 and \$50,000 in September 2010. Spyridakis did not issue any documents memorializing the investments or disclosing the risks of the new investments. Each time Investor A gave Spyridakis funds, Investor A had an expectation of receiving a profit from the investments through Spyridakis' efforts.
- 10. In December 2010, Spyridakis registered as an investment adviser representative. Between approximately March 2011 and April 2011 Spyridakis sold interests in his hedge fund to 4 investors for \$1,303,000. Investor A was one of the investors in the hedge fund. Spyridakis failed to disclose to the investors that he was terminated from his prior securities related employment for violation of a company policy.
- 11. Spyridakis again approached Investor A for another investment in running the hedge fund (as opposed to an investment in the hedge fund). Investor A told Spyridakis that he would only invest funds if he was given a controlling interest in the hedge fund. Spyridakis refused and Investor A asked for the immediate return of his \$320,000 investment (in setting up the hedge fund) and the promised interest (totaling over \$350,000). Shortly thereafter Spyridakis returned to Greece without informing Investor A.

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12. Some of Investor A's \$320,000 investment was used to set up the hedge fund; however, approximately \$190,000 was used to test the algorithm and approximately \$90,000 was either used for Spyridakis' personal expenses or is unaccounted for. Investor A was repaid approximately \$35,000 when the hedge fund was shut down.

Based upon the above Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

- 1. The offer or sale of the investment in running the hedge fund to Investor A in the manner described above constitutes the offer or sale of a security, as defined in RCW 21.20.005(10) and (12).
- 2. Respondent violated RCW 21.20.140, the registration section of the Securities Act by offering and selling unregistered securities to Investor A.
- 3. Respondent violated RCW 21.20.010 by omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading when he failed to provide Investor A with disclosure of the risks of starting a hedge fund, disclosure of financial information, disclosure that the mathematical algorithm Spyridakis intended to use had not been tested and that Investor A's funds would be used to test it, and disclosure that a portion of Investor A's funds would be used to pay Mr. Spyridakis' personal expenses.
- 4. Respondent violated RCW 21.20.010 when he told Investor A that a \$50,000 investment would result in a return of \$10,000 per year without a basis for such a claim and without disclosing that past performance is not a guarantee of future performance.
- 5. Respondent violated RCW 21.20.010 by not executing documents to evidence Investor A's \$100,000 and \$50,000 investments and by failing to disclose how the initial investment had been used, by failing to disclose how he intended to use the additional investments, and by failing to disclose the specific risks of the additional investments.

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- 6. Respondent violated RCW 21.20.010 when he misrepresented his employment history by saying he had been employed at the investment bank for one year when it was only six months and by failing to disclose he was terminated for violating company policy.
- 7. Respondent violated RCW 21.20.020 and WAC 460-24A-220(8),(20), and (23), the unethical business practices rule, by failing to disclose to investors he solicited to invest in the hedge fund that he had been terminated from his prior securities related employment for violating a company policy.

CONSENT ORDER

Based upon the foregoing and finding it in the public interest:

IT IS AGREED AND ORDERED that Ioannis Spyridakis will cease and desist from further violations of RCW 21.20.010.

IT IS FURTHER AGREED AND ORDERED that Ioannis Spyridakis will cease and desist from further violations of RCW 21.20.020 and WAC 460-24A-220(8), (20), and (23).

IT IS FURTHER AGREED AND ORDERED that Ioannis Spyridakis will cease and desist from further violations of RCW 21.20.140.

IT IS FURTHER AGREED AND ORDERED that Ioannis Spyridakis be liable for and pay a fine of \$25,000. The fine is suspended until such a time that Mr. Spyridakis applies for Washington registration as an investment adviser, investment adviser representative, broker-dealer, or securities salesperson applications.

IT IS FURTHER AGREED AND ORDERED that Ioannis Spyridakis be liable for and pay costs of \$2,000 prior to the entry of this Consent Order.

IT IS FURTHER AGREED AND ORDERED that any future investment adviser, investment adviser representative, broker-dealer, or securities salesperson applications submitted by Ioannis Spyridakis will be denied for a period of 3 months.

IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

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IT IS FURTHER AGREED that Ioannis Spyridakis enters into this Consent Order freely and voluntarily and with full understanding of its terms and significance. IT IS FURTHER AGREED that in consideration of the foregoing, Ioannis Spyridakis waives his right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW. **AUTHORITY AND PROCEDURE** This Order is entered pursuant to the provisions of chapter 21.20 RCW and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. The Respondent has been notified of his right to an administrative hearing and has waived his right to a hearing. WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE. Signed this 29th day of February, 2016. Signed by: RYAN SWANSON & CLEVELAND PLLC ROGER MELLEM, WSBA #14917 Attorney for Ioannis Spyridakis Signed by: IOANNIS "JOHN" EMMANOUIL SPYRIDAKIS CRD #5542016 CONSENT ORDER 6 DEPARTMENT OF FINANCIAL INSTITUTIONS **Securities Division** PO Box 9033 Olympia, WA 98507-9033

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5		Securities Administrator
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7	An Ellen	
8		Kriskn-Standifor
9		Mingle Standa
10	Suzanne Sarason	Kristen Standifer
11	Chief of Compliance	Financial Legal Examiner
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