

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9289 / December 23 2011

SECURITIES EXCHANGE ACT OF 1934
Release No. 66056 / December 23, 2011

INVESTMENT ADVISERS ACT OF 1940
Release No. 3344/ December 23 2011

INVESTMENT COMPANY ACT OF 1940
Release No. 29894 / December 23, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-14678

In the Matter of

AURELIO RODRIGUEZ,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-
AND-DESIST PROCEEDINGS
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933,
SECTIONS 15(b) AND 21C OF THE
SECURITIES EXCHANGE ACT OF
1934, SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF
1940, AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF
1940, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS
AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against Aurelio Rodriguez (“Rodriguez” or “Respondent”).

II.

In anticipation of the institution of these proceedings, 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 Instituting Administrative Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, Section 203(f) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

These proceedings arise out of a fraudulent interpositioning scheme perpetrated by Aurelio Rodriguez ("Rodriguez"), a former registered representative and trader of Investment Placement Group ("IPG"), a San Diego-based registered broker-dealer and investment adviser. Rodriguez's scheme involved a Mexican investment adviser, InvesTrust, and a separate Mexican brokerage firm. From approximately January through November 2008 ("relevant period"), while he was associated with IPG, Rodriguez, acting in concert with InvesTrust, violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder by needlessly interposing the Mexican brokerage firm into securities transactions between IPG and InvesTrust's institutional clients, including four Mexican pension funds. As a result of Rodriguez's misconduct, the pension funds paid approximately \$65 million more for certain credit-linked notes than they would have had the Mexican brokerage firm not been unnecessarily interposed as a "middleman." As a result of his misconduct, Rodriguez received more than \$6 million in additional markups generated from the interpositioned transactions.

Respondent

1. **Aurelio Rodriguez**, age 42, formerly of Coronado, California, currently resides in Zapopan, Mexico. Rodriguez is not currently associated with a registered broker-dealer. Rodriguez was a registered representative with IPG from 1995 until November 12, 2010, when he resigned from the firm.

Other Relevant Entity and Person

2. **Investment Placement Group** is a California corporation with its principal place of business in San Diego, California. It has been registered with the Commission as a broker-dealer since 1991 and as investment adviser from January 2006 until June 2010, when it withdrew its registration. IPG is owned, directly or indirectly through family trusts, by several individuals associated with the firm. In February 2010, IPG's owners registered a new entity called IPG Investment Advisors, LLC as an investment adviser with the Commission.

¹ 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.

3. **Adolfo Gonzalez-Rubio**, age 49, resides in Coronado, California. He joined IPG in 1990 and has since held positions of increasing responsibility. During the relevant period, he was IPG's chief operating officer, directly responsible for supervising Rodriguez and overseeing the trading room. In 2009, Gonzalez-Rubio became IPG's chief executive officer, a position he currently holds. He currently owns 26% of the firm.

Background

4. In 2001, an IPG registered representative approached IPG with a proposal from InvesTrust. In exchange for placing institutional client trades through IPG and referring clients, InvesTrust would receive 70% of the markups that IPG earned from trading by InvesTrust's institutional clients. IPG agreed to the proposal and opened a separate proprietary trading account with its clearing firm ("IPG Proprietary Account") through which Rodriguez executed principal trades on behalf of IPG, with IPG acting as a counterparty to InvesTrust's institutional clients. The remaining 30% of the markups earned in the IPG Proprietary Account would be split evenly among the registered representative, IPG, and Rodriguez.

5. Between 2001 through 2007, InvesTrust invested primarily in Mexican government and corporate bonds and steadily increased the size and number of institutional trades it placed through IPG. Beginning in 2008, InvesTrust invested its pension fund clients in credit-linked notes, dramatically increasing the number trades it placed through IPG. By this time, InvesTrust had also increased its share of the markups generated from these trades to 75%, with the registered representative, IPG, and Rodriguez splitting the remaining 25% equally.

The Interpositioning Scheme

6. From January through November 2008, Rodriguez, acting in concert with InvesTrust, acquired ten different credit-linked notes in the IPG Proprietary Account. Rodriguez knew that the notes were slated for InvesTrust's pension fund clients. IPG, through Rodriguez, added a markup of roughly 1.5% to 4.5% to the purchase price, and then sold the notes to the Mexican brokerage firm. Within a day or so, IPG, through Rodriguez, repurchased the notes from the Mexican brokerage firm (at a slightly higher price), added another markup, and then sold the securities to InvesTrust's pension fund clients. In some instances, Rodriguez repeated the buy/sell pattern with the Mexican brokerage firm multiple times, driving up the price with each successive trade, before finally selling the notes to the pension funds at artificially inflated prices.

7. For each transaction, InvesTrust specified in advance the trade date, the amount of securities to be bought and sold by IPG and the Mexican brokerage firm, the successively higher prices to be paid (and thus the markup to be charged on each trade), and the final price to be paid by its pension fund clients. Rodriguez received the instructions for the fraudulent transactions from InvesTrust at his San Diego, California office. From there, he confirmed the order with the Mexican brokerage firm via e-mail and then submitted the principal trade electronically to IPG's U.S.-based clearing firm for processing.

8. Beginning in July 2008, the number of interpositioned trades between IPG and the Mexican brokerage firm increased as the pension funds purchased new credit-linked notes.

The interpositioning scheme added about 12% to 14% to the cost of four new notes the pension funds purchased from IPG between July and November 2008.

Violations

9. As a result of the conduct described above, Rodriguez willfully violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities.

Disgorgement and Civil Penalties

10. Respondent has submitted a sworn Statement of Financial Condition dated August 31, 2011 and other evidence and has asserted his inability to pay full disgorgement plus prejudgment interest and a civil penalty.

IV.

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

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Exchange Act, Section 203(f) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Rodriguez cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondent Rodriguez be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

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; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock,

with the right to apply for reentry after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission.

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. Respondent shall, within 30 days of entry of this Order, pay disgorgement of \$6,041,810.46 and prejudgment interest of \$613,666.85, but that payment of such amount except for \$1 million is waived and the Commission is not imposing a penalty based upon Respondent's sworn representations in his Sworn Financial Statement dated August 31, 2011 and other documents submitted to the Commission. The payment required by this Order shall be made to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment shall be: (A) made by wire transfer, 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 Securities and Exchange Commission, Office of Financial Management, 100 F St., NE, Stop 6042, Washington, DC 20549; and (D) submitted under cover letter that identifies Rodriguez 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 Regional Director, Securities and Exchange Commission, 5670 Wilshire Blvd., Suite 1100, Los Angeles, CA 90036.

E. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of disgorgement, prejudgment interest, and the maximum civil penalty allowable under the law. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition: (1) contest the findings in this Order; (2) assert that payment of disgorgement, interest, and a penalty should not be ordered; (3)

contest the amount of disgorgement and interest to be ordered, or the imposition of the maximum penalty allowable under the law; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Elizabeth M. Murphy
Secretary