

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
April 9, 2007

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

**In the Matter of**

**GEOFFREY BROD,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS  
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”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted 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” or “Brod”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**Summary**

1. 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 and made approximately \$410,000 in profit from these trades. Yet 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.

**A. RESPONDENT**

2. Geoffrey Brod, 64, 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. Aeltus terminated Brod in 2003.

**B. OTHER RELEVANT ENTITY**

3. 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.

**C. 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. During this period, Brod had daily access to the holdings of mutual funds he managed and their purchases and sales of publicly traded securities. Brod’s trading methodology dictated an extremely short-term trading pattern. From 1999 through 2003, Brod executed approximately 3,500 personal trades in stocks, and the holding period was usually two to seven days. Brod made about \$410,000 in profit from these trades.

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 engaged in active personal short-term trading in stocks, without complying with the Commission's reporting requirements and Aeltus' Code of Ethics. He never pre-cleared or reported his trades, and never complied with the 60-day holding period requirement. In addition, 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.

7. Brod did not comply with the Commission's reporting requirements or Aeltus' Code of Ethics because this would have prevented him from using his short-term trading strategy.

#### **D. VIOLATIONS**

8. 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))<sup>1</sup> makes it unlawful for persons affiliated with a fund to, among other things, make material misrepresentations or omissions to the fund. 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.

9. 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.

10. 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 that he was required to report given his access to the mutual funds' portfolios.

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<sup>1</sup> Rule 17j-1 was amended in 1999 (effective on March 6, 2000). See Personal Investment Activities of Investment Company Personnel, Securities Act Rel. No. 7728 (Aug. 27, 1999). Brod's conduct prior to March 3, 2000 would violate the previously designated provisions of Rule 17j-1, which are referenced in parentheses.

### III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 9(b) of the Investment Company Act and Section 203(f) of the Advisers Act including, but not limited to, civil penalties pursuant to Section 9(d) of the Investment Company Act and Section 203(i)(1)(A) of the Advisers Act; and

C. Whether, pursuant to Section 9(f) of the Investment Company Act, Respondent should be ordered to cease and desist from committing or causing violations of and any future violations of Section 17(j) of the Investment Company Act and Rules 17j-1(b) and 17j-1(d) thereunder and whether Respondent should be ordered to pay disgorgement pursuant to Section 9(f)(5) of the Investment Company Act and Section 203(j) of the Advisers Act.

### IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice, 17 C.F.R. § 201.360(a)(2).

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Nancy M. Morris  
Secretary