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**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-14-1475-15-SC01

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO ENTER AN ORDER TO  
CEASE AND DESIST, DENY FUTURE  
REGISTRATIONS, IMPOSE FINES, AND  
RECOVER COSTS

9 THE STATE OF WASHINGTON TO: Ioannis "John" Emmanouil Spyridakis, CRD # 5542016

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**STATEMENT OF CHARGES**

12 Please take notice that the Securities Administrator of the State of Washington has reason to  
13 believe that the Respondent, Ioannis "John" Emmanouil Spyridakis, has violated the Securities Act of  
14 Washington. The Securities Administrator believes those violations justify the entry of an order against  
15 the Respondent to cease and desist from such violations pursuant to RCW 21.20.390, deny future  
16 applications pursuant to RCW 21.20.110, to impose fines pursuant to RCW 21.20.395 and RCW  
17 21.20.110, and recover costs pursuant to RCW 21.20.395 and RCW 21.20.110. The Securities  
18 Administrator finds as follows:

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**TENTATIVE FINDINGS OF FACT**

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*Respondent*

22 1. Ioannis "John" Emmanouil Spyridakis ("Spyridakis") was a registered in Washington State  
as securities salesperson from July 2008 to January 2009 and as an investment adviser representative

23 STATEMENT OF CHARGES AND NOTICE OF INTENT TO  
24 ENTER AN ORDER TO CEASE AND DESIST, DENY FUTURE  
25 APPLICATIONS, IMPOSE FINES, AND RECOVER COSTS

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DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 from December 2010 to August 2011. Spyridakis was born in Greece and is believed to currently reside  
2 in New York. From approximately November 2009 to August 2011 he resided in Washington State. His  
3 Central Registration Depository (“CRD”) number is 5542016.

4 *Nature of the Conduct*

5 2. In approximately November 2009 Investor A, a Washington resident, met Spyridakis  
6 through a church friend. Spyridakis told Investor A he moved to the Seattle area to start a hedge fund.  
7 Spyridakis represented to Investor A that he was employed as a securities salesperson in New York at a  
8 large investment bank for a year. Spyridakis was only employed as a securities salesperson for 6 months.  
9 Spyridakis failed to disclose that this employment was terminated by his employer for violating company  
10 policy.

11 3. Spyridakis told Investor A that the hedge fund would be profitable because he had a  
12 Master’s of Science in Financial Mathematics from the University of Chicago and a Master’s of Arts in  
13 Statistics from Columbia University and that Spyridakis created a mathematical algorithm that picked  
14 profitable investments for the hedge fund. Spyridakis stated that the mathematical algorithm would  
15 generate a \$10,000 return per month on a \$50,000 investment in the hedge fund. This equals a 240%  
16 return per year. However, Spyridakis failed to disclose any information about the algorithm including  
17 how it was developed, that it had not been tested, and that past performance is not a guarantee of future  
18 performance.

19 4. Spyridakis also told Investor A he was from a wealthy Greek family that was paying his  
20 personal expenses while he was in the United States. Because of these representations Investor A  
21 believed that Spyridakis did not need money to pay his personal expenses.

1           5.     Spyridakis asked Investor A for \$170,000 to set up the hedge fund. Spyridakis told  
2 Investor A that he would repay Investor A \$170,000 plus \$30,000 interest (for a total of \$200,000) in  
3 nine months from the returns generated by the hedge fund.

4           6.     Spyridakis told Investor A he would use the funds to set up the hedge fund generally and  
5 would have sole discretion over how the funds were spent. Investor A understood that the money was to  
6 be used *to set up a hedge fund*, as opposed to being invested in a hedge fund. Spyridakis did not tell  
7 Investor A, and Investor A did not independently know, what setting up a hedge fund entailed.

8           7.     Based on Spyridakis' representations, on about February 1, 2010, Investor A gave  
9 Spyridakis \$170,000. Spyridakis gave Investor A a promissory note evidencing the investment.  
10 Spyridakis did not provide Investor A with any documentation or disclosure about his investment or the  
11 risks of the investment other than the promissory note. Additionally, Spyridakis did not orally disclose  
12 any risks to Investor A. Investor A did not receive a security interest in exchange for the \$170,000.

13           8.     In approximately June 2010, Spyridakis told Investor A that it was taking longer than he  
14 expected to set up the hedge fund and he needed more money so that he could hire someone to help him.  
15 Spyridakis asked Investor A for an additional investment and said he would repay Investor A with  
16 interest from the hedge fund earnings. Spyridakis did not provide Investor A with financial information.  
17 He failed to disclose to Investor A that he spent most of the initial \$170,000 and did not provide  
18 information or an accounting showing how the \$170,000 was spent. Additionally, Spyridakis failed to  
19 disclose to Investor A that Investor A's initial investment was used in part to pay Spyridakis's personal  
20 expenses and in part to develop the mathematical algorithm for the hedge fund. Spyridakis did not  
21 disclose how the additional funds would be used; that they would be used in part to test the algorithm and  
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1 in part to pay Spyridakis's living expenses in addition to setting up the hedge fund. Spyridakis did not  
2 disclose the risks of the additional investment.

3 9. Investor A gave Spyridakis \$50,000 in May 2010 and \$100,000 in June 2010. Spyridakis  
4 did not issue any document memorializing these investments. Spyridakis had discretion over how the  
5 money was used. Investor A had the expectation of receiving a profit from the investments through  
6 Spyridakis's efforts.

7 10. In December 2010, Spyridakis registered as an investment adviser representative. Between  
8 approximately March 2011 and April 2011 Spyridakis sold interests in his hedge fund to 4 investors for  
9 \$1,303,000. Investor A was one of the investors in the hedge fund. Spyridakis failed to disclose to the  
10 investors that he was terminated from his prior securities related employment for violation of a company  
11 policy.

12 11. Spyridakis again approached Investor A for another investment in running the hedge fund  
13 (as opposed to an investment in the hedge fund.) Investor A told Spyridakis that he would only invest  
14 additional funds if Spyridakis gave him a controlling interest. After Spyridakis did not agree to give  
15 Investor A a controlling interest, Investor A requested the immediate return of his \$320,000 investment  
16 (in setting up the hedge fund) and the promised interest (totaling over \$350,000.) Spyridakis refused and  
17 shortly thereafter returned to Greece without informing Investor A.

18 12. It is believed that Spyridakis has not returned to Washington state; however, Spyridakis is  
19 believed to have returned to the United States and is working in the financial industry in New York state.

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

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

4 **CONCLUSIONS OF LAW**

5 1. The offer or sale of the investment to Investor A in the manner described above constitutes  
6 the offer or sale of a security, as defined in RCW 21.20.005(10) and (12).

7 2. Respondent violated RCW 21.20.140, the registration section of the Securities Act by  
8 offering and selling unregistered securities to Investor A.

9 3. Respondent violated RCW 21.20.010 by omitting to state material facts necessary in order to  
10 make the statements made, in the light of the circumstances under which they were made, not misleading  
11 when he failed to provide Investor A disclosure of the risks of starting a hedge fund, of how the  
12 mathematical algorithm was created, that the mathematical algorithm had not been tested, that Investor A's  
13 funds were used in part to test the mathematical algorithm and in part to pay Mr. Spyridakis's personal  
14 expenses in addition to paying the expenses of starting the hedge fund, of the status of the investment, and  
15 of financial information.

16 4. Further, Respondent violated RCW 21.20.010 when he told Investor A that his investment  
17 would average a 240% return without a basis for such a claim and failed to disclose that past performance is  
18 not a guarantee of future performance.

19 5. Further, Respondent violated RCW 21.20.010 by not executing documents to evidence  
20 Investor A's \$50,000 and \$100,000 investments.

21 6. Further, Respondent violated RCW 21.20.010 when he misrepresented his employment  
22 history by saying he had been employed at a large investment bank for a year when he had only been

1 employed for six months and failed to disclose he was terminated from the investment bank for violating  
2 company policy.

3 7. Respondent violated RCW 21.20.020 and WAC 460-24A-220(8),(20), and (23), the unethical  
4 business practices rule, by failing to disclose to investors he solicited to invest in the hedge fund that he had  
5 been terminated from his prior securities related employment for violating a company policy.

6 **NOTICE OF INTENT TO ORDER RESPONDENT TO CEASE AND DESIST**

7 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and  
8 Conclusions of Law, the Securities Administrator intends to order that the Respondent permanently cease  
9 and desist from violations of RCW 21.20.010.

10 **NOTICE OF INTENT TO DENY FUTURE APPLICATIONS**

11 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and  
12 Conclusions of law, the Securities Administrator intends to order that any future broker-dealer, securities  
13 salesperson, investment adviser, and/or investment adviser representative application by Respondent be  
14 denied.

15 **NOTICE OF INTENT TO IMPOSE FINES**

16 Pursuant to RCW 21.20.395 and RCW 21.20.110(1), and based upon the Tentative Findings of Fact  
17 and Conclusions of Law, the Securities Administrator intends to order that Respondent shall be liable for  
18 and pay a fine of at least \$25,000.

19 **NOTICE OF INTENT TO RECOVER COSTS**

20 Pursuant to RCW 21.20.390 and RCW 21.20.110(1), and based upon the Tentative Findings of Fact  
21 and Conclusions of Law, the Securities Administrator intends to order that Respondent shall be liable for  
22 and pay the costs, fees, and other expenses in the amount of at least \$1,000.

1 **AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW and is  
3 subject to the provisions of chapter 21.20 RCW and 34.05 RCW. The Respondent may make a written  
4 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND  
5 OPPORTUNITY FOR HEARING accompanying this Order. If the Respondent does not request a  
6 hearing, the Securities Administrator intends to adopt the foregoing Tentative Findings of Fact and  
7 Conclusions of Law as final, and enter a permanent cease and desist order against the Respondent, deny  
8 future applications, charges costs, and impose fines.

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10 DATED and ENTERED this 12th day of May, 2015.

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14 WILLIAM M. BEATTY  
15 Securities Administrator

16 Approved by:

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18 \_\_\_\_\_  
19 Suzanne Sarason  
20 Chief of Compliance

21 Presented by:

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23 \_\_\_\_\_  
24 Kristen Standifer  
25 Financial Legal Examiner