

**COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF THE SECRETARY OF THE COMMONWEALTH  
SECURITIES DIVISION  
ONE ASHBURTON PLACE, ROOM 1701  
BOSTON, MASSACHUSETTS 02108**

\_\_\_\_\_  
IN THE MATTER OF: )

PETER TZAMALAS & )  
ING FINANCIAL PARTNERS, INC. )

RESPONDENTS. )  
\_\_\_\_\_ )

Docket No. E-2006-0095

CONSENT ORDER

**I. PRELIMINARY STATEMENT**

This Consent Order (“Order”) is entered into by the Massachusetts Securities Division (“Division”) and ING Financial Partners, Inc. (“IFP”), in connection with the Administrative Complaint (the “Complaint”) filed by the Enforcement Section of the Massachusetts Securities Division (the “Enforcement Section”) against IFP on March 21, 2007. With respect to the Complaint, the Division alleged that IFP violated the Massachusetts Uniform Securities Act, M.G.L. c. 110A (“Act”) and the corresponding regulations promulgated thereunder (“Regulations”), by engaging in dishonest and unethical conduct and failing to supervise Respondent Peter Tzamalás (“Tzamalás”) a former registered representative of the firm.

**II. SUMMARY**

Between July 10, 1996 and September 27, 2006, Tzamalás was a registered representative in Massachusetts with IFP or its predecessor, Washington Square Securities, Inc. (“WSSI”). Unbeknownst to WSSI or IFP, between at least December 1, 2004 and September 22, 2006, Tzamalás used his Greek heritage and fluency in his native language to defraud investors from the Greek community in eastern Massachusetts. Tzamalás was able to convince many of his clients to transfer substantial funds to him, ostensibly for investment purposes. In many cases Tzamalás told his clients that the proceeds would be re-invested in securities. The transactions ranged in terms from three to twelve months and purported to pay a rate of return of between

eight and nine percent. Tzamalás attempted to conceal his activities by often requiring investors to invest using cash or bank checks in lieu of more easily traceable personal checks. When faced with investor inquiries, Tzamalás evaded explaining specifically how the funds would be invested. Relying upon their misplaced trust in a fellow member of the Greek community, many of these investors provided tens, and even hundreds, of thousands of dollars of hard-earned funds to Tzamalás. Tzamalás did not disclose the transactions or his fraudulent scheme to anyone at IFP.

In reality, the funds acquired by Tzamalás from his customers were not used to purchase investments through IFP as intended by his customers. Rather, Tzamalás converted the bulk of the funds into bank checks written to him personally or simply withdrew the funds in cash.

Respondent IFP and its predecessor WSSI failed to reasonably and effectively supervise Tzamalás. During a routine announced office inspection in October 2002, Tzamalás refused to provide bank account statements to his supervisor for accounts used by his Norwood office. When the most recent months' statements were subsequently provided to the supervisor in December 2002, they included checks for large dollar amounts written from an account used for business and personal transactions. Included in these instruments was a \$5,000.00 bank check payable to "MTGA." In addition to Tzamalás' direct supervisor, WSSI's compliance department also received the package of bank account documentation containing the "MTGA" check. During its investigation, the Division identified several other checks written by Tzamalás from another account and deposited by "MTGA." The Division eventually determined that "MTGA" was the Mohegan Tribal Gaming Authority, the entity that operates the Mohegan Sun Hotel Casino in Uncasville, Connecticut.

The procedures of WSSI, IFP's predecessor firm, did not provide sufficient guidance to supervisors as to how to review registered representatives' bank account activity. Tzamalás' supervisor never contacted any clients of any registered representative following an inspection to ascertain their satisfaction with the registered representative. The inspections that occurred after 2002 were all announced inspections, providing Tzamalás with the opportunity to cleanse his

office of any evidence of improper activity. Tzamalas was never placed on heightened supervision or any special review. Once armed with knowledge of the inspection procedure, Tzamalas created a separate business account to display during future inspections.

Tzamalas continued his allegedly fraudulent activities until September 2006 when a complaint from a concerned couple who were clients of IFP led to the discovery of Tzamalas' scheme. When the scope of his activities was uncovered, Tzamalas fled, and his present whereabouts are unknown.

### **III. JURISDICTION**

1. The Massachusetts Securities Division is a division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities, as provided for by M.G.L. c. 110A, the Massachusetts Uniform Securities Act (the "Act"), and 950 CMR 10.00 et seq., (the "Regulations"). The Act authorizes the Division to regulate: (a) the offers, sales, and/or purchases of securities; (b) those individuals offering and/or selling securities; and (c) those individuals transacting business as broker-dealers and/or investment advisers within the Commonwealth.

### **IV. RESPONDENTS**

2. Peter Tzamalas ("Tzamalas"), age 50, has a last known residence at 71 Devon Road, Norwood, MA 02062 and a most recent principal place of business at 185 Dean Street, Suite 201 Norwood, MA 02062. Tzamalas is currently assigned Central Registration Depository (hereinafter "CRD") number 2347811. Tzamalas was previously registered in Massachusetts as an agent of Washington Square Securities Inc. or its successor firm, ING Financial Partners. Inc. from approximately July 10, 1996 until September 27, 2006. Tzamalas was also a licensed insurance producer in Massachusetts. Tzamalas is not currently registered to sell securities or offer investment advice in the Commonwealth.

3. ING Financial Partners. Inc. ("IFP") is an entity currently registered as a broker-dealer firm in Massachusetts. IFP is also an investment adviser registered with the Securities and Exchange Commission and notice filed in Massachusetts. IFP is currently assigned CRD number 2882. On January 1, 2004, IFP's predecessor firm, WSSI, merged with Locust Street Securities, Inc. and changed its name to IFP. Following the merger, IFP moved its principal place of business from Minneapolis, Minnesota to 909 Locust Street Des Moines, Iowa, and the senior management of Locust Street Securities, Inc. assumed management of the combined entity. IFP is also affiliated with the ReliaStar Life Insurance Company.

#### V. RELEVANT TIME PERIOD

4. Except as otherwise expressly stated, the conduct described herein occurred during the approximate period of October 14, 2002, to September 27, 2006 ("Relevant Time Period").

#### VI. STATEMENT OF FACTS

5. Tzamalás was born in Greece on July 30, 1957.

6. Tzamalás spoke fluent Greek and lived in Athens, Greece between 1980 and 1991.

7. Upon moving to the United States, the Complaint alleged that Tzamalás used his Greek heritage and fluency in his native language to gain the trust and respect of the Greek community in eastern Massachusetts.

8. Tzamalás was previously registered in Massachusetts as an agent of Washington Square Securities Inc. or its successor firm, ING Financial Partners. Inc. from approximately July 10, 1996 until September 27, 2006.

9. While he was registered with WSSI and IFP, Tzamalás assembled a client list of between 300-350 clients representing over 600 separate accounts.

10. The majority of Tzamalal's clients at WSSI and IFP were of Greek heritage.

11. The Complaint alleged that Tzamalal gained the majority of new clients at IFP through word-of-mouth referrals from current clients of Greek heritage.

12. Effective January 1, 2004, WSSI and Locust Street Securities, Inc. merged to form IFP, and the resulting entity moved its home office from Minneapolis, Minnesota to Des Moines, Iowa. After the merger, the Locust Street Securities, Inc. management assumed management responsibilities for the combined entity.

13. The Complaint alleged that Tzamalal used his Greek heritage and fluency in the Greek language to convince some of his clients to transfer money to him under the pretext that he was making an investment in securities on their behalf. These transactions were not disclosed to IFP and prohibited by IFP's policies and procedures.

**Tzamalal's Transactions With Couple 1**

14. Husband and Wife (Collectively, "Couple 1") are residents of Worcester, Massachusetts.

15. The Complaint alleged that Couple 1 first met Tzamalal in 1994 through a referral from a mutual acquaintance.

16. The Complaint alleged that at some point during April or May of 2005 Tzamalal contacted Couple 1 and misrepresented to them that one of the variable annuity contracts the couple held was about to expire. The Complaint further alleged that during the conversation, Tzamalal inquired whether Couple 1 would be interested in providing him funds from the "expiring" investment.

17. The Complaint alleged that Tzamalal represented that the term of the agreement would be for one year with principal and 9% annual interest due at expiration. The Complaint

further alleged that Tzamalás represented to them that the proceeds of the agreement would be invested in opportunities presented on “weekends” and “after the markets closed.”

18. Couple 1 entered into an agreement with Tzamalás in June 2005 (“the June 2005 Transaction”). In connection with that transaction, Couple 1 executed and delivered a personal check to Tzamalás in the amount of \$42,427.68.

19. Tzamalás entered into at least two other transactions with Couple 1.

20. In September 2005 (“the September 2005 Transaction”), Couple 1 entered into a second agreement with Tzamalás and, in connection with that agreement, executed and delivered a personal check to Tzamalás in the amount of \$57,500.00. The Complaint alleged that the source of funds for the September 2005 Transaction was an annuity contract that Tzamalás had encouraged them to surrender.

21. In March 2006 (“the March 2006 Transaction”), Couple 1 entered into a third agreement with Tzamalás. The Complaint alleged that in connection with that agreement, Couple 1 executed and delivered a personal check to Tzamalás in the amount of \$75,000.00. The Complaint further alleged that the source of funds for the March 2006 Transaction was the proceeds from the sale of the Wife of Couple 1’s recently deceased mother’s house that Tzamalás encouraged Couple 1 to transfer to him for investment purposes.

22. The Complaint alleged that Tzamalás agreed to deposit monthly payments into Couple 1’s checking account representing interest earned connection with these transactions. Exhibits contained in the Complaint provide evidence that Tzamalás occasionally deposited several monthly payments in a single transaction.

23. The Complaint alleged that Tzamalás paid the principal and interest due to Couple 1 on the June 2005 Transaction.

24. The Complaint alleged that on September 15, 2006, Tzamalás called Couple 1 and told them that he would deliver funds sufficient to repay the September 2005 Transaction at a meeting at Couple 1's home at 10:00 a.m. on Friday, September 22, 2006.

25. The Complaint alleged that Tzamalás did not appear at their home at the agreed-upon time. The Complaint further alleged that in a telephone conversation later that day, Tzamalás requested an extension of two months' time to repay the obligation and also agreed to meet Couple 1 in person to discuss the September 2005 Transaction.

26. The Complaint alleged that on September 25, 2006, the Wife of Couple 1 called Tzamalás' office to discuss an existing annuity contract. The message on Tzamalás' answering machine stated that he would be out of the office until November 6, 2006.

27. Tzamalás had told his supervisor that he needed to travel to Greece on an emergency basis to attend to an ill relative.

28. Upon hearing the message on Tzamalás' answering machine, Couple 1 contacted IFP and described the agreements they had entered into with Tzamalás.

29. The Complaint alleged that Couple 1 never saw or spoke to Tzamalás again. IFP, likewise, never saw or spoke to Tzamalás again, and his current whereabouts are unknown despite repeated attempts to contact him.

30. On September 27, 2006, IFP terminated its relationship with Tzamalás.

#### **Other Transactions**

31. In addition to the transactions with Couple 1, Tzamalás entered into numerous other similar transactions with other clients of his at IFP.

32. The Complaint alleged that Tzamalás deposited the proceeds of those transactions into personal accounts and rather than use the money for investments through IFP, Tzamalás converted a majority of the funds for his own use.

33. The Complaint alleged that a significant portion of the proceeds of the allegedly fraudulent transactions between Tzamalás and his clients was directed to an entity identified on bank deposit stamps provided to WSSI as "MTGA." Pursuant to a subpoena, the bank subsequently identified the entity to the Division as the Mohegan Tribal Gaming Authority, operators of the Mohegan Sun Hotel Casino in Uncasville, Connecticut.

34. The Complaint alleged that a significant portion of the proceeds of the allegedly fraudulent transactions between Tzamalás and his clients was directed to an entity identified on bank deposit stamps as "M.P.G.E." Pursuant to a subpoena, the bank subsequently identified the entity to the Division as the Division as Mashantucket Pequot Gaming Enterprises, operators of the Foxwoods Resort and Casino in Ledyard, Connecticut.

35. The Complaint alleged that other proceeds of the allegedly fraudulent transactions between Tzamalás and his clients appear to have been directed to the Trump Marina Atlantic City Hotel and Casino or the Trump Plaza Atlantic City Hotel and Casino.

36. During the closing months of 2006, several clients who had entered into agreements with Tzamalás received a letter from Tzamalás' attorney. The letter stated that "[m]r Tzamalás has suffered severe financial misfortune which now makes it impossible for him to comply with the terms and conditions of the loan."

37. Despite having sent several subpoenas to Tzamalás for the production of documents and on-the-record testimony, the Division has been unable to locate or make contact with Tzamalás. IFP has also been unable to locate or make contact with Tzamalás.



38. On July 9, 2007, the Division filed a Motion for Entry of Default against Tzamalal. Tzamalal has not responded to the motion.

**WSSI and IFP's Supervision of Tzamalal**

39. Tzamalal was registered in Massachusetts as an agent of WSSI or its successor firm IFP from approximately July 10, 1996 until September 27, 2006.

40. Between January 1, 2000 and September 27, 2006, IFP or WSSI conducted a series of five office inspections of Tzamalal's Norwood, MA office.

41. Pursuant to WSSI's, and subsequently IFP's, written compliance policies and procedures, all registered representatives of the firm were required to make their business bank accounts available for review by IFP supervisory personnel during office inspections.

42. On October 14, 2002, Tzamalal's supervisor conducted an office inspection at Tzamalal's Norwood, MA office (the "2002 Inspection").

43. The 2002 inspection was an announced inspection.

44. The 2002 inspection form does not contain any notation that Tzamalal's supervisor reviewed any of Tzamalal's business bank accounts.

45. On the 2002 inspection form, the supervisor indicated deficiencies with respect to his review of Tzamalal's business bank accounts.

46. On the 2002 inspection form, the supervisor indicated deficiencies with respect to Tzamalal's maintenance of the required trade blotter.

47. On the 2002 inspection form, the supervisor indicated deficiencies with respect to Tzamalal's maintenance and compliance review of his incoming correspondence file.

48. On the 2002 inspection form, Tzamalás' supervisor indicated that Tzamalás was in compliance with the checks/securities received record keeping requirements. The section also requires that the inspection personnel attach copies of the records to the inspection form for the current or past month. No copies were attached to the form.

49. Pursuant to a subpoena ad testificandum, the supervisor appeared before the Division on December 21, 2006 to provide on-the-record testimony in connection with his supervision of Tzamalás.

50. Tzamalás' supervisor testified that Tzamalás refused to provide access to his bank records during the 2002 inspection.

51. The supervisor testified that Tzamalás informed him that his bank records were none of the supervisor's business.

52. The supervisor testified that Tzamalás informed him that he had commingled his business transactions with personal transactions in the same bank account (hereinafter the "Combined Account").

53. Tzamalás' supervisor testified that Tzamalás refused to disclose the banking institutions at which his accounts were held.

54. Tzamalás' supervisor testified that he informed Tzamalás that he would be terminated if he did not provide access to the records for the bank accounts through which Tzamalás operated his business within twenty-four hours.

55. Upon completing the 2002 Inspection, the supervisor placed a telephone call to WSSI's compliance department. The supervisor informed WSSI's compliance department of Tzamalás' refusal to provide access to the bank accounts through which he operated his business

and inquired whether Tzamalás could be terminated for such action. WSSI's compliance department informed the supervisor that Tzamalás' actions constituted a terminable offense.

56. The supervisor testified that WSSI's compliance department did not provide any follow-up instructions or any order to place Tzamalás on heightened or special supervision following his refusal to provide access to the requested bank records.

57. On October 24, 2002, the supervisor sent Tzamalás a letter (the "2002 Deficiency Letter") summarizing the deficiencies identified during the 2002 Inspection.

58. Among other deficiencies, the 2002 Deficiency Letter noted;

**"Books & Records:** You have failed and have been reluctant to provide me with the bank records for your office. It is mandatory that I review, at minimum, the last two months' bank statements to determine if any customer payments have been deposited to these accounts, if any checks have been written to customers, to determine if any unusual deposits or disbursements have been made, and to determine if you are maintaining check and receipt records as required. I know you were hesitant for me to review your personal business, but given the regulatory requirements and the fact that you have not separated your business and personal checking accounts, it cannot be avoided." (Emphasis in original).

59. Tzamalás replied to the 2002 Deficiency Letter in a letter (the "2002 Response Letter") addressed to the supervisor and dated November 20, 2002.

60. In the 2002 Response Letter, Tzamalás addressed the "Books & Records" deficiency in the 2002 Deficiency Letter by stating;

**"Books & Records:** I have never failed or been reluctant to provide you with my bank records for my office as you stated in your letter. The fact of the matter is that I have not separated for 10 years now -and was never told to do so in prior inspections- my personal from my business bank records." (Emphasis in original).

61. Tzamalás did not provide copies of his bank statement from the Combined Account with the 2002 Response Letter.

62. Tzamalás' 2002 Response Letter was also carbon copied to a regional vice president for sales and a field compliance analyst.

63. Tzamalás' supervisor testified that the regional vice president for sales was his direct supervisor.

64. The supervisor testified that the field compliance analyst was his direct contact in WSSI's compliance department.

65. In a letter dated December 18, 2002 (the "December 18, 2002 Letter") and addressed to the supervisor, Tzamalás voluntarily provided copies of statements for the Combined Account from August 15, 2002 through October 15, 2002. Tzamalás also provided copies of statements from a d/b/a account he had opened on or about October 15, 2002.

66. The December 18, 2002 Letter was also carbon copied to the Field Compliance Analyst.

67. Tzamalás' supervisor testified that he reviewed and made several handwritten notations on the copy of the December 18, 2002 Letter he received.

68. The bank records accompanying the December 18, 2002 Letter included a copy of a check from the Combined Account in the amount of \$18,000.00 payable to "Cash."

69. The bank records accompanying the December 18 2002 Letter included a copy of a bank check funded from the Combined Account. This check was payable to the order of "MTGA." The Complaint alleges that pursuant to a subpoena duces tecum issued by the Division on March 19, 2007, Bank of America identified "MTGA" as the Mohegan Tribal Gaming Authority, the entity that operates the Mohegan Sun Hotel Casino in Uncasville, Connecticut.

70. The Complaint alleges that during the approximate eighteen-month period between the 2001 Inspection and the 2002 Inspection, Tzamalás' brokerage and insurance commissions deposited into the Combined Account amounted to approximately \$363,704.97.

71. The Complaint alleges that during the same eighteen-month period identified in ¶70, there were twenty five deposits and wire transfers into the Combined Account totaling approximately \$309,777.49 which were not specifically identified as brokerage or insurance commissions.

72. Tzamalás' CRD record reveals only "FIXED INS. PRODUCTS - DISABILITY INSURANCE" identified as outside business activities.

73. Between October 15, 2003 and September 16, 2006 Tzamalás entered into at least twenty five different agreements with his clients at IFP totaling at least one million dollars. Nearly all of these obligations remained unpaid at the time of Tzamalás' disappearance in late September 2006.

74. The Complaint alleges that at least several of the deposits identified in ¶71 reflected funds provided to Tzamalás by IFP clients between February 2001 and September 2002.

75. Tzamalás' reluctance to provide access to the Combined Account was brought to the attention of several high-ranking individuals in WSSI's compliance and legal departments.

76. The supervisor testified that Tzamalás had been in the upper third of registered representatives in terms of production at WSSI, and subsequently IFP.

77. Between the 2002 inspection and Tzamalás' disappearance in September 2006, WSSI and IFP, through the supervisor, conducted three additional inspections of Tzamalás' Norwood office. None of these inspections were unannounced.

78. Tzamalás' maintenance of the required securities / checks received blotter was identified as a repeat deficiency pursuant to inspections in both 2004 and 2005.

79. The supervisor testified that copies of all office inspection deficiency letters are sent to IFP's compliance department as a matter of standard practice.

80. The supervisor testified that he never contacted any clients of any registered representative following an inspection to ascertain their satisfaction with the registered representative.

81. Tzamalás was never placed on any heightened or special supervision by IFP.

82. Following the firm's receipt of knowledge of the agreements between Tzamalás and Couple 1 in late September 2006, IFP failed to promptly contact other clients of Tzamalás to ascertain if any other similar agreements existed. The supervisor testified that IFP did not begin contacting clients of Tzamalás until the middle of December 2006.

83. The Complaint alleged that following his disappearance in late September 2006, IFP failed to promptly inspect and secure Tzamalás' office and any documents, client account records, cash, securities, assets, or personal information.

## **VII. LEGAL CONCLUSIONS**

84. IFP neither admits nor denies the Legal Conclusions contained herein.

85. Respondent IFP failed to reasonably and effectively supervise Respondent Tzamalás between 2002 and 2006. As early as 2002, the firm had knowledge of Respondent Tzamalás' commingling of business and personal transactions in at least one common account from which Tzamalás had also written high dollar amount checks to at least one gambling casino. Yet throughout Respondent Tzamalás' employment with WSSI, and subsequently IFP, an unannounced inspection of Respondent Tzamalás' place of business was never conducted,

Tzamalás' customers were never contacted to ascertain their satisfaction with his performance, and Tzamalás was never placed on heightened supervision or special review. The bank records provided by Tzamalás as part of the 2002 audit included checks for large dollar amounts written from an account used for both business and personal purposes. The procedures of WSSI, IFP's predecessor firm, did not provide sufficient guidance to supervisors as to how to review registered representatives' bank account activity.

### **VIII. VIOLATIONS OF SECURITIES LAWS**

#### **COUNT I — VIOLATION BY RESPONDENT IFP OF § 204(a)(2)(J)**

86. Section 204(a)(2)(J) of the Act provides in pertinent part:

The secretary may by order deny, suspend, or revoke any registration if he finds (I) that the order is in the public interest and (2) that the applicant or registrant (J) has failed reasonably to supervise agents, investment adviser representatives or other employees to assure compliance with this chapter.

87. The conduct of Respondent IFP, in failing to properly supervise its registered representative Tzamalás, constitutes a violation of M.G.L. c. 110A, § 204(a)(2)(J).

### **IX. SECRETARY'S DECISION AND ORDER**

88. Based on the foregoing, it is the desire of all participants to settle the matter with respect to Respondent IFP. Finding that the same is in the best interest of the public and for the protection of investors, the Secretary has determined to accept the proposed Offer and resolve this matter through this Order. THEREFORE, it is hereby ORDERED:

- a. Respondent IFP shall cease and desist from further violations of the Act;
- b. Respondent IFP shall provide an accounting of all IFP customers known by the firm to have entered into the agreements referenced above and to fully compensate these IFP customers for losses attributable to the alleged wrongdoing, as defined below, within thirty (30) days following the date the Order is executed;

i. This provision encompasses both losses attributable to principal and any applicable surrender fees imposed on redemptions of existing investments.

ii. This provision encompasses not only those individuals and amounts identified at the time of the execution of the Order, but also any individuals and amounts which may be properly identified and verified within ninety (90) days of the date of entry of the Order.

iii. In calculating the amount of compensation to be paid to IFP customers pursuant to subparagraph (b) above, the amount shall include the principal of IFP customer loans to Tzamalás, together with interest at six percent (6%) per year from the date of payment, less the amount of any payment of principal or interest to IFP customers from Tzamalás.

iv. Respondent IFP shall provide the Division with a detailed accounting of the computation and distribution of all amounts paid to former IFP clients of Tzamalás pursuant to the Order within one-hundred-eighty (180) days of the date of entry of the Order.

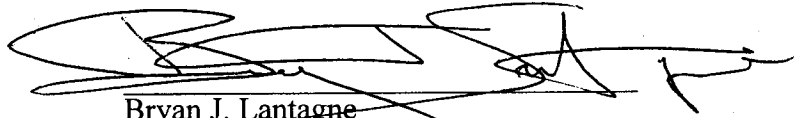
v. IFP may, as a condition for offering compensation to IFP customers, obtain affidavits of income received and releases of liability and assignments of any claim against Tzamalás from individuals who accept compensation from IFP under this agreement. Prior to execution of any document which would affect the rights of any individual seeking compensation pursuant to the Order, IFP shall provide the Division with sample copies of such document.

c. Respondent IFP shall pay an administrative fine to the Commonwealth of Massachusetts in the amount of one hundred thousand (\$100,000.00) dollars within thirty (30) days following the date the Order is executed;

d. Respondent IFP shall be censured.



William Francis Galvin  
Secretary of the Commonwealth



Bryan J. Lantagne  
Director  
Massachusetts Securities Division  
One Ashburton Place, Room 1701  
Boston, MA 02108

Dated: October 22, 2007

**PURSUANT TO SECTION 409 OF THE ACT ANY PERSON WHO WILLFULLY VIOLATES THIS ORDER SHALL UPON CONVICTION BE FINED NOT MORE THAN ONE HUNDRED THOUSAND DOLLARS OR IMPRISONED NOT MORE THAN TEN YEARS OR BOTH.**