

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

GEORGE E. REILLY
(CRD No. 1523041),

Respondent.

Disciplinary Proceeding
No. 20070119379-02

Hearing Officer – RSH

DEFAULT DECISION

January 25, 2010

Respondent violated Procedural Rule 8210 and Conduct Rule 2010 by failing to respond to requests for information. For this violation, Respondent was barred from associating with any member firm in any capacity.

Appearances

Lara Thyagarajan, Senior Regional Counsel; David Jaffe, Regional Chief Counsel, New York, NY, for the Department of Enforcement.

No appearance by or for the Respondent.

DECISION

I. Introduction

The FINRA Department of Enforcement filed a Complaint in this proceeding on September 11, 2009. In its Complaint, Enforcement charged Respondent George E. Reilly with failing to respond to three requests for information, and one request for testimony, in violation of Procedural Rule 8210 and Conduct Rules 2110 and 2010.¹

¹ The FINRA Rules, which include NASD Procedural and Conduct Rules, are available at www.finra.org/Rules. Reilly failed to respond to three of the requests between February 2008 and July 2008, and the fourth request in July 2009. On December 15, 2008, the first phase of new consolidated FINRA Rules went into effect. See, Regulatory Notice 08-57. In that process, Conduct Rule 2110 was renumbered as 2010. The two rules are substantially identical.

000052201 2011

Reilly did not answer or otherwise respond to the Complaint. Consequently, on December 7, 2009, Enforcement filed a Motion for Entry of Default Decision, which was supported by the Declaration of Lara C. Thyagarajan and 17 exhibits. Reilly did not reply to the motion.²

II. Jurisdiction and Origin of the Complaint

1. Jurisdiction

Between June 1988, and December 2000, Reilly was registered as a General Securities Representative ("GSR") at four different FINRA member firms. On December 4, 2000, Reilly became registered as a GSR with Chicago Investment Group ("CIG"). During his tenure at CIG, Reilly was also registered as a General Securities Principal, Equity Trader, Options Principal, Municipal Securities Principal, and Financial Operations Principal.³ On December 17, 2007, CIG filed a Uniform Termination Notice for Securities Industry Registration ("Form U5"), which reported that Reilly's employment with CIG had been voluntarily terminated on December 12, 2007.⁴

Reilly has not been associated with a FINRA member firm since December 12, 2007.⁵ Nevertheless, FINRA has jurisdiction over this disciplinary proceeding, pursuant to Article V, Section 4(a) of FINRA's By-Laws, because (1) FINRA requested information from Reilly when it still retained jurisdiction over him, i.e., within two years following CIG's filing of Reilly's Form U5; and (2) the Complaint was filed within two years after Reilly's failure to respond to FINRA's requests for information.⁶

² The factual determinations in this decision are based on the allegations of the attached Complaint, which are deemed admitted, as well as additional materials filed by Enforcement.

³ Complainant's Exhibit (CX)-1.

⁴ CX-2.

⁵ CX-1; Declaration of Lara C. Thyagarajan ("Thyagarajan Decl."), ¶ 8.

⁶ See Article V, Sec. 4(a), FINRA By-Laws, available at www.finra.org/Rules (then follow "FINRA Manual" hyperlink to "Corporate Organization: By-Laws").

2. Origin of the Complaint

The Complaint originated from a routine examination of a FINRA member firm by the Member Regulation staff of FINRA's District 10 office. During the course of that examination, the Staff learned of potential regulatory issues concerning sales of stock in a non-public corporation through several broker-dealers. With its requests for information and testimony, the Staff sought to obtain from Reilly potentially important information about the sales.⁷

III. Respondent's Default

On September 11, 2009, Enforcement sent the Complaint and Notice of Complaint to Reilly by first-class and certified mail (return receipt requested) at his residential address as recorded in the Central Registration Depository ("CRD Address").⁸ The return receipt for the certified mailing was returned signed by Reilly.⁹ The first-class mailing was not returned. Reilly did not respond to the Complaint.¹⁰

On October 12, 2009, Enforcement sent the Complaint and Second Notice of Complaint to Reilly by first-class and certified mail (return receipt requested) at his CRD Address.¹¹ The certified mailing was returned to Enforcement marked, "unclaimed, unable to forward, return to sender."¹² The first-class mailing was not returned. Reilly did not answer the Second Notice.¹³

To date, Reilly has not filed an answer with the Office of Hearing Officers or otherwise responded to the Complaint. By failing to answer the Complaint, Reilly

⁷ Thyagarajan Decl., ¶¶ 22-23.

⁸ CX-1, CX-3; Thyagarajan Decl., ¶¶ 10-11.

⁹ CX-4.

¹⁰ Thyagarajan Decl., ¶¶ 12, 15.

¹¹ CX-5.

¹² CX-6.

¹³ Thyagarajan Decl., ¶¶ 17, 20.

defaulted.¹⁴ Accordingly, pursuant to Procedural Rules 9215(f) and 9269(a)(2), the Hearing Officer deems the allegations in the attached Complaint admitted and grants Enforcement's motion for entry of a default decision.

IV. Violation

The Complaint's sole Cause of Action alleges that Reilly violated Procedural Rule 8210 and Conduct Rules 2110 and 2010 by failing to respond to three requests for information, and one request for an on-the-record interview ("OTR"). The requests were made pursuant to Procedural Rule 8210, and asked for information concerning sales of stock in a non-public corporation in 2006 and 2007.¹⁵

On February 6, 2008, FINRA Staff sent the first request for information by first-class and certified mail to Reilly at his CRD Address. The certified mailing was returned to FINRA unclaimed; however, the first-class mailing was not returned. Reilly did not respond to the February 6 request.¹⁶

On March 5, 2008, and July 21, 2008, FINRA Staff sent a second and third request for the same information to Reilly at his CRD Address by first-class and certified mail. As with the first request, the return receipts for the certified mailings were returned to FINRA unclaimed, and the first-class mailing was not returned. Reilly did not respond to the March 5 or July 21 requests.¹⁷

On June 15, 2009, FINRA Staff requested, in writing, that Reilly appear for an OTR on July 9, 2009. The request was sent by FEDEX to Reilly at his CRD Address;

¹⁴ *Department of Enforcement v. Reynolds Verdiner*, No. CAF020004, 2003 NASD Discip. LEXIS 42, at *5 (N.A.C. Dec. 9, 2003) (NASD Procedural Rule 9134(b)(1) allows for constructive notice by mailing a complaint to the respondent's most recent CRD address) (quoting *Lubeck v. SEC*, 1998 U.S. App. LEXIS 18849, at *20 (9th Cir. Aug. 12, 1998)).

¹⁵ CX-7, CX-9, CX-11, CX-13.

¹⁶ CX-7, CX-8; Thyagarajan Decl., ¶¶ 24-25.

¹⁷ CX-9, CX-10, CX-11, CX-12; Thyagarajan Decl., ¶¶ 26-29.

however, his signature was not required. On June 29, 2009, the Staff sent Reilly a follow-up letter reminding him of his obligation to appear for the OTR. The Staff sent the letter to Reilly's CRD Address by FEDEX and required a signature for proof of delivery. The FEDEX delivery was signed "Reilly." Reilly did not appear at the OTR scheduled for July 9, 2009.¹⁸

These allegations, which are deemed admitted, are sufficient to establish, for purposes of this default decision, that Reilly failed to respond in any manner to three requests for information, and one request for an OTR. He thereby violated Procedural Rule 8210. A violation of Rule 8210 is also a violation of Rules 2110 and 2010.¹⁹

V. Sanction

A violation of Rule 8210 is serious because Rule 8210 is a key element in FINRA's oversight function and allows FINRA to carry out its regulatory functions without subpoena power.²⁰ When an individual fails to provide information, FINRA's ability to perform its regulatory functions is subverted.²¹ For these reasons, FINRA Sanction Guidelines recommend a bar when a respondent fails to respond in any manner to a request for information issued pursuant to Rule 8210.²² Reilly failed to respond in any manner to multiple requests for information. There is no evidence of any mitigating facts that would justify a sanction of less than a bar.

¹⁸ CX-13, CX-14, CX-15, CX-16, CX-17; Thyagarajan Decl., ¶¶ 30-32.

¹⁹ *Wanda P. Sears*, Exchange Act Rel. No. 58075, 2008 SEC LEXIS 1521, *19, n. 28 (July 1, 2008); *Anthony H. Barkate*, 57 S.E.C. 488, 489, n. 1 (2004); *Department of Enforcement v. Hoepfer*, No. C02000037, 2001 NASD Discip. LEXIS 37, at *5 (N.A.C. Nov. 2, 2001).

²⁰ *Howard Brett Berger*, Exchange Act Rel. No. 58950, 2008 SEC LEXIS 3141 (Nov. 14, 2008); *Joseph G. Chiulli*, Exchange Act Rel. No. 42359, 2000 SEC LEXIS 112, at *16 (Jan. 28, 2000).

²¹ *Joseph P. Hannan*, Exchange Act Rel. No. 40438, 1998 SEC LEXIS 1955, at *9 (Sept. 14, 1998).

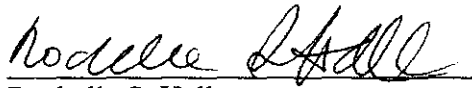
²² *FINRA Sanction Guidelines* 35 (2007), www.finra.org/sanctionguidelines.

Accordingly, the Hearing Officer finds that Reilly should be barred from associating with any FINRA member in any capacity for violating Rules 8210, 2110, and 2010.

VI. Order

George E. Reilly is barred from associating with any member firm in any capacity for failing to respond to requests for information, and a request for an OTR, in violation of Procedural Rule 8210 and Conduct Rules 2110 and 2010. The bar will become effective immediately if this Default Decision becomes FINRA's final disciplinary action in this proceeding.

SO ORDERED.

A handwritten signature in cursive script, appearing to read "Rochelle S. Hall", is written over a horizontal line.

Rochelle S. Hall
Hearing Officer

Copies to:

George E. Reilly (*via overnight carrier and first-class mail*)
Lara C. Thyagarajan, Esq. (*via electronic and first-class mail*)
Mark P. Dauer, Esq. (*via electronic mail*)
David R. Sonnenberg, Esq. (*via electronic mail*)

FINANCIAL INDUSTRY REGULATORY AUTHORITY

OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

GEORGE E. REILLY (CRD No. 1523041),

Respondent.

DISCIPLINARY PROCEEDING
No. 20070119379-02

COMPLAINT

The Department of Enforcement alleges:

RESPONDENT AND JURISDICTION

1. Respondent George E. Reilly ("Respondent") first became registered with FINRA (then-NASD) as a general securities representative ("GSR") on or about June 9, 1988, through a member firm. Between 1988 and 2000, Respondent was registered with three other broker-dealers. Respondent became registered with Chicago Investment Group, LLC ("CIG") (BD No. 11853) on December 4, 2000. During his tenure at CIG, Reilly held positions as President and Chief Compliance Officer. He was registered as a GSR, General Securities Principal, Equity Trader, Options Principal, Municipal Securities Principal, and Financial and Operations Principal.
2. On December 17, 2007, CIG filed a Uniform Termination Notice for Securities Industry Registration ("Form U-5") terminating Respondent's registration as of December 12, 2007.

3. Currently, Respondent is not associated with any member firm. However, FINRA retains jurisdiction over respondent pursuant to Article V, Section 4 of its By-Laws.

FIRST CAUSE OF ACTION

(Failure to Respond)

(Violation of NASD Procedural Rule 8210, FINRA Procedural Rule 8210, NASD Conduct Rule 2110 and FINRA Conduct Rule 2010)

4. The Department realleges and incorporates by reference paragraphs 1-3 above.

Requests for Information -- First Request

5. On February 6, 2008, the Staff sent Respondent a letter (the "First Request") requesting that he provide information concerning 2006 and 2007 sales of shares of stock in a non-public corporation.
6. The First Request was sent pursuant to, and in accordance with, NASD Procedural Rule 8210. A response was required by February 21, 2008. The letter was sent via certified mail and U.S. mail to Reilly's current residential address as reflected in the records of the Central Registration Depository ("CRD"), [REDACTED] [REDACTED] (the "CRD Address"). The certified letter sent to the CRD Address was returned as unclaimed. The letter sent by U.S. mail was not returned. Reilly did not respond to the First Request.

Requests for Information -- Second Request

7. On March 5, 2008, the Staff again requested that Reilly provide the same information requested in the February 6th Letter (the "Second Request").

8. The Second Request was sent pursuant to, and in accordance with, NASD Procedural Rule 8210. A response was required by March 13, 2008. This letter was sent via certified mail and U.S. mail to the CRD Address. The certified letter sent to the CRD Address was returned as unclaimed. The letter sent by U.S. mail was not returned. Reilly did not respond to the Second Request.

Request for Information – Third Request

9. On July 21, 2008, the Staff made a third request to Reilly for the same information as prior letters (the “Third Request”).
10. The Third Request was sent pursuant to, and in accordance with, NASD Procedural Rule 8210. A response was required by July 31, 2008. The Third Request was sent via certified mail and U.S. mail to the CRD Address. The certified letter sent to the CRD Address was returned as unclaimed. The letter sent by U.S. mail was not returned. Reilly did not respond to the Third Request.

Request for On-the-Record Interview (“OTR”)

11. On June 15, 2009, the FINRA Staff requested that Respondent appear for an on OTR at FINRA’s offices at One Liberty Plaza, New York, New York on July 9, 2009.
12. The Request for an OTR was sent pursuant to, and in accordance with, FINRA Procedural Rule 8210. The Request for an OTR was sent by Federal Express to Reilly’s CRD Address and no signature was required.
13. On June 29, 2009, the Staff sent Respondent a follow-up letter (the “June 29th Letter”) reminding him of his obligations to appear for testimony at FINRA’s offices at 10:00 AM on July 9, 2009. Enclosed with the June 29th Letter was a copy of the Request for an OTR. The June 29th Letter was sent by Federal Express to Reilly’s

CRD Address and required a signature for proof-of-delivery. A signature that appears to be of an individual whose last name is "Reilly" was provided. Reilly failed to appear on July 9, 2009 for his OTR, and no adjournment was granted.

By reason of the foregoing, Respondent violated NASD Procedural Rule 8210, FINRA Procedural Rule 8210, NASD Conduct Rule 2110, and FINRA Conduct Rule 2010.

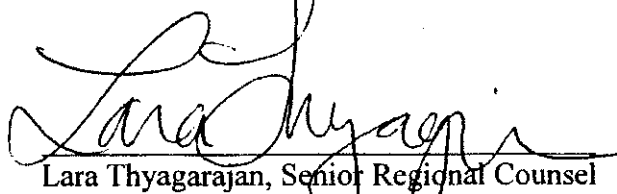
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed.
- B. order that the Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

Dated: September 11, 2009

FINRA DEPARTMENT OF ENFORCEMENT



Lara Thyagarajan, Senior Regional Counsel
FINRA Department of Enforcement
One Liberty Plaza
New York, NY 10006
Phone: 212-858-4176; Fax: 212-858-4770
e-mail: lara.thyagarajan@finra.org