

FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

REGINALD GEORGE (CRD No. 5304658),

Respondent.

DISCIPLINARY PROCEEDING
No. 2009019875002

COMPLAINT

The Department of Enforcement alleges:

SUMMARY

1. From in or about November 2008 through in or about September 2009, while registered with FINRA member firm McGinn Smith & Co. Inc. (BD No. 8453) ("McGinn" or the "Firm"), Respondent Reginald George ("George") was the representative on customer KM's McGinn account number MNY-00XXXX (the "Account").
2. From on or about April 6, 2009 through on or about September 9, 2009 (the "Relevant Period"), George converted for his own purposes \$34,025.00 from KM's Account by causing 19 wire transfers to be made out of the Account and three electronic checks to be drawn on the Account. To facilitate his conversion of funds from KM's Account, George executed 11 unauthorized sales of securities from the Account and George prepared, fabricated, and provided to McGinn at least 11 Letters

- of Authorization (“LOAs”) bearing KM’s purported signature but signed by George, one letter purporting to explain the reasons for the funds transferred out of KM’s Account, and another three e-mail LOAs purportedly from KM that George altered.
3. In addition, during the period that George was the representative on KM’s Account, George sent no fewer than 77 separate e-mails to KM about Firm- and investment-related business through George’s personal e-mail account without McGinn’s knowledge or approval, without providing copies of such communications to the Firm, and in violation of the Firm’s written policies.
 4. In connection with its examination in this matter and beginning on October 14, 2010, FINRA’s Member Regulation Staff (the “Staff”) sent George seven separate requests for information and documents pursuant to FINRA Rule 8210. Despite requesting and being granted several extensions to respond, George failed to respond timely to these requests and he did not respond to them until June 14, 2011.
 5. This Complaint charges George with conversion, unauthorized securities transactions, fabrication of LOAs, unauthorized customer communications on Firm- or investment-related business from a personal e-mail account, and failure to respond timely to Rule 8210 requests, in violation of NASD Conduct Rule 2330(a) and FINRA Rules 8210 and 2010.

RESPONDENT AND JURISDICTION

6. From on or about July 28, 2008 through on or about September 22, 2009, George was registered with FINRA through an association with McGinn as a General Securities Representative (“GSR”). Thereafter, from on or about September 30, 2009

through on or about March 14, 2013 and from on or about April 4, 2013 through on or about May 2, 2013, George was registered through two other FINRA-member firms as a GSR. Although Respondent is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because: (1) the Complaint was filed within two years after the effective date of termination of Respondent's registration with a FINRA-member firm, namely, May 2, 2013; and (2) the Complaint charges him with misconduct committed while he was registered with a FINRA member.

BACKGROUND

7. George and KM met in 2007 when they were both registered representatives associated with the same FINRA-member firm.
8. After they met, George and KM became friends and they socialized outside of work.
9. Before and during 2008 and through 2009, KM directly or indirectly owned residential properties in New York City, which were rented to tenants. In the first half of 2008, George occasionally helped KM with projects and other work related to the maintenance or management of KM's residential properties.
10. Before and during 2008, KM was a member of the New Jersey National Guard. KM was also, in the first half of 2008, still a registered representative associated with a FINRA-member firm.
11. KM was on active-duty orders in connection with his National Guard membership from June 20, 2008 through September 4, 2009. KM took a leave of absence from his

FINRA-member firm to attend a military school, in or about May and June 2008, and he received additional military training in or about July and August 2008. On or about August 29, 2008, KM arrived in Iraq.

12. In or about November 2008, George prepared new account forms for KM's Account at McGinn, signed KM's signature, and submitted the forms to the Firm.
13. Among other things, KM's new account forms incorrectly stated that KM was employed by the United States Army and stationed in Jersey City, New Jersey. The McGinn new account forms also failed to disclose KM's association with a FINRA-member firm from which he was on a leave of absence during his active-duty deployment.
14. In or about November 2008, KM opened his Account at McGinn and George was listed as the representative on the Account.
15. During the time that KM was on active-duty deployment, KM and George communicated, including by e-mail, concerning certain securities transactions in KM's Account.
16. During the time that KM was on active-duty deployment, George helped KM, from time to time, with the maintenance or management of KM's residential properties and with KM's personal business. During that time, George and KM occasionally communicated, including by e-mail, concerning KM's residential properties or KM's personal business, among other topics.
17. Orders releasing KM from his active-duty deployment became effective on or about September 4, 2009, around which time he returned to the United States.

FIRST CAUSE OF ACTION
(Conversion (NASD Conduct Rule 2330(a) and FINRA Rule 2010))

18. The Department realleges and incorporates by reference Paragraphs 1 through 17 above.

Wire Transfers from KM's Account

19. During the Relevant Period, George caused the following 19 wire transfers, totaling \$29,025.00, to be made from KM's Account (collectively, the "Wire Transfers"):

- a. On or about April 17, 2009, a wire transfer of \$612.00;
- b. On or about April 20, 2009, a wire transfer of \$1,012.00;
- c. On or about May 4, 2009, a wire transfer of \$1,000.00;
- d. On or about May 7, 2009, a wire transfer of \$750.00;
- e. On or about May 18, 2009, a wire transfer of \$1,200.00;
- f. On or about May 21, 2009, a wire transfer of \$1,200.00;
- g. On or about May 26, 2009, a wire transfer of \$1,400.00;
- h. On or about May 29, 2009, a wire transfer of \$1,400.00;
- i. On or about June 2, 2009, a wire transfer of \$1,300.00;
- j. On or about June 8, 2009, a wire transfer of \$1,000.00;
- k. On or about June 26, 2009, a wire transfer of \$2,100.00;
- l. On or about July 9, 2009, a wire transfer of \$1,800.00;
- m. On or about July 23, 2009, a wire transfer of \$2,000.00;

- n. On or about July 30, 2009, a wire transfer of \$1,300.00;
- o. On or about August 5, 2009, a wire transfer of \$1,300.00;
- p. On or about August 14, 2009, a wire transfer of \$3,300.00;
- q. On or about August 20, 2009, a wire transfer of \$1,900.00;
- r. On or about August 28, 2009, a wire transfer of \$2,690.00; and
- s. On or about September 9, 2009, a wire transfer of \$1,761.00.

20. All 19 of the Wire Transfers were made to RH at the Georgia Central Credit Union, in Duluth, Georgia, account number 710130085XXXX.

21. At the time George caused the Wire Transfers to be made to RH, RH was George's brother-in-law and a resident of the State of Georgia.

22. KM did not authorize or consent to any of the Wire Transfers.

23. KM first learned about the Wire Transfers after he returned to the United States in or about September 2009.

24. George did not own the \$29,025.00 in funds from the Wire Transfers and George was not entitled to possess those funds.

25. After receiving the \$29,025.00 in funds from the Wire Transfers, RH, at George's direction sent those funds to George.

26. George used the \$29,025.00 in funds from the Wire Transfers for his own purposes.

Checks Drawn on KM's Account

27. During the Relevant Period, George caused the following three electronic checks, totaling \$5,000.00, to be drawn on KM's Account (collectively, the "Checks"):
- a. On or about April 6, 2009, a check for \$1,800.00;
 - b. On or about May 4, 2009, a check for \$2,000.00; and
 - c. On or about June 23, 2009, a check for \$1,200.00.
28. All three of the Checks were made payable and paid to LG at an address in Valley Stream, New York.
29. At the time George caused these three Checks to be made payable and paid to LG, LG was George's residential landlord.
30. KM did not authorize or consent to any of the Checks.
31. KM first learned about the Checks after he returned to the United States in or about September 2009.
32. George did not own the \$5,000.00 in funds from the Checks and George was not entitled to possess those funds.
33. George used the \$5,000.00 in funds from the Checks for his own purposes, including paying for George's residential rent.
34. By reason of the foregoing, George violated NASD Conduct Rule 2330(a) and FINRA Rule 2010.

SECOND CAUSE OF ACTION
(Unauthorized Transactions (FINRA Rule 2010))

35. The Department realleges and incorporates by reference Paragraphs 1 through 34 above.

36. During the Relevant Period, George executed the following 11 securities sales, totaling \$20,887.11 in proceeds, from KM's Account (the "Securities Transactions"):

- a. On or about April 6, 2009, the sale of 265 shares of Bank of America Corp. ("BAC"), resulting in proceeds of \$1,801.48;
- b. On or about June 26, 2009, the sale of 180 shares of BAC, resulting in proceeds of \$2,110.82;
- c. On or about July 9, 2009, the sale of 182 shares of BAC, resulting in proceeds of \$1,441.66;
- d. On or about July 23, 2009, the sale of 260 shares of BAC, resulting in proceeds of \$3,235.41;
- e. On or about July 30, 2009, the sale of 110 shares of BAC, resulting in proceeds of \$1,380.86;
- f. On or about August 5, 2009, the sale of 100 shares of BAC, resulting in proceeds of \$1,381.46;
- g. On or about August 14, 2009, the sale of 50 shares of AeroVironment, Inc. ("AVAV"), resulting in proceeds of \$1,431.96;

- h. On or about August 14, 2009, the sale of 125 shares of BAC, resulting in proceeds of \$1,899.27;
- i. On or about August 20, 2009, the sale of 110 shares of BAC, resulting in proceeds of \$1,772.744;
- j. On or about August 28, 2009, the sale of 153 shares of BAC, resulting in proceeds of \$2,654.55; and
- k. On or about September 9, 2009, the sale of 65 shares of AVAV, resulting in proceeds of \$1,776.90.

37. KM did not authorize or consent to any of these 11 Securities Transactions.

38. KM first learned about the Securities Transactions after he returned to the United States in or about September 2009.

39. By reason of the foregoing, George violated FINRA Rule 2010.

THIRD CAUSE OF ACTION
(Fabricated Customer LOAs (FINRA Rule 2010))

40. The Department realleges and incorporates by reference Paragraphs 1 through 39 above.

41. During the Relevant Period, to facilitate his conversion of funds from KM's Account, George prepared, fabricated, and submitted to McGinn at least 11 LOAs, to which he signed KM's purported signature (the "Signed LOAs"):

- a. On or about April 1, 2009, an LOA purporting to authorize a check for \$1,800.00 to LG;

- b. On or about April 15, 2009, an LOA purporting to authorize a wire transfer of \$612.00 to RH;
- c. On or about April 30, 2009, an LOA purporting to authorize a check for \$2,000.00 to LG and a wire transfer of \$1,000.00 to RH;
- d. On or about May 6, 2009, an LOA purporting to authorize a wire transfer of \$750.00 to RH;
- e. On or about May 15, 2009, an LOA purporting to authorize a wire transfer of \$1,200.00 to RH;
- f. On or about May 21, 2009, an LOA purporting to authorize a wire transfer of \$1,200.00 to RH;
- g. On or about May 22, 2009, an LOA purporting to authorize a wire transfer of \$1,400.00 to RH;
- h. On or about May 29, 2009, an LOA purporting to authorize a wire transfer of \$1,400.00 to RH;
- i. On or about June 1, 2009, an LOA purporting to authorize a wire transfer of \$1,300.00 to RH;
- j. On or about June 24, 2009, an LOA purporting to authorize a wire transfer of \$2,100.00 to RH; and
- k. On or about July 4, 2009, an LOA purporting to authorize a wire transfer of \$1,800.00 to RH.

42. During the Relevant Period, to facilitate his conversion of funds from KM's Account, George prepared, fabricated, and submitted to McGinn at least three LOAs in the form of e-mails that George altered so that the LOAs appeared to be from KM (the "E-Mail LOAs"):
- a. On or about July 9, 2009, George drafted and inserted in what was represented to be a July 9, 2009, e-mail from KM to George purporting to authorize a wire transfer of \$1,800.00 to RH;
 - b. On or about July 20, 2009, George drafted and inserted in what was represented to be a July 17, 2009, e-mail from KM to George purporting to authorize a wire transfer of \$2,000.00 to RH and a check for an unspecified amount to LG; and
 - c. On or about September 9, 2009, George altered an e-mail of that date from KM to him by drafting and inserting language purporting to authorize a wire transfer of \$1,300.00 to RH.
43. On or about June 24, 2009, after McGinn asked George for an explanation of third-party payments out of KM's Account, George prepared, fabricated, and submitted to McGinn a letter, to which he signed KM's purported signature, explaining why KM was purportedly transferring funds out of his Account to RH and describing, among other things, KM's supposed business relationship with RH (the "June 24 Letter").
44. Statements in the June 24 Letter that purported to explain the wire transfers to RH and described KM's supposed business relationship with RH, among other things, were not true.

45. KM did not authorize or consent to any of the Signed LOAs, the E-Mail LOAs, or the June 24 Letter.
46. KM did not authorize or consent to George's signing KM's purported signature on any of the Signed LOAs or the June 24 Letter.
47. KM had no knowledge of any of the Signed LOAs, the E-Mail LOAs, or the June 24 Letter before George prepared and submitted them to McGinn.
48. KM first learned about the Signed LOAs, the E-Mail LOAs, and the June 24 Letter after he returned to the United States in or about September 2009.
49. By reason of the foregoing, George violated FINRA Rule 2010.

FOURTH CAUSE OF ACTION
(Unauthorized Use of Personal E-Mail (FINRA Rule 2010))

50. The Department realleges and incorporates by reference Paragraphs 1 through 49 above.
51. During the time that George was associated with McGinn, the Firm's policies stated that "the firm is required to keep copies of communications relating to the firm's business" and that this communications retention policy "includes email."
52. During the time that George was associated with McGinn, the Firm's policies additionally required, among other things, that: "[p]rior to sending e-mail to any client in relation to any firm or investment related business, the sender must give a draft copy of the transmission" to certain identified Firm personnel "for approval"; that e-mails "that pertain to the solicitation or execution of securities transactions

must be endorsed” by certain identified Firm personnel; and that copies of e-mails must be retained for review by the Firm.

53. At all times during his association with McGinn that are relevant to the allegations in this Complaint, George had an e-mail address that had been assigned to him by the Firm to use in connection with conducting his securities business through the Firm.

54. At all times relevant to the allegations in this Complaint, George maintained a personal e-mail account (i.e., an account with an address that was not assigned to him for business use by the Firm) with AOL.

55. George did not at any time notify McGinn that he was using his personal e-mail account to communicate with customers or for any other business-related purpose.

56. From at least February 18, 2009 through September 9, 2009, while George was the representative on KM’s Account, George sent to KM at least 77 separate communications from his personal e-mail account that concerned Firm- or investment-related business (the “77 Personal-Account E-Mails”):

- a. Between February 18, 2009 and February 27, 2009, at least 14 e-mails from George’s personal e-mail account that concerned, among other things, transactions involving BAC securities.
- b. Between March 4, 2009 and March 16, 2009, at least seven e-mails from George’s personal e-mail account that concerned, among other things, transactions involving BAC securities.

- c. Between April 6, 2009 and April 17, 2009, at least 17 e-mails from George's personal e-mail account that concerned, among other things, transactions involving BAC securities and other securities in KM's Account.
- d. Between April 20, 2009 and April 30, 2009, at least 25 e-mails from George's personal e-mail account that concerned, among other things, transactions involving BAC securities.
- e. Between May 2, 2009 and May 7, 2009, at least eight e-mails from George's personal e-mail account that concerned, among other things, transactions involving BAC securities.
- f. Between May 28, 2009 and August 6, 2009, at least six e-mails from George's personal e-mail account that concerned, among other things, transactions involving BAC, AVAV, and Acusphere Inc. securities.

57. All of the 77 Personal-Account E-Mails were communications that McGinn was required to retain in conformance with applicable recordkeeping requirements.

58. All of the 77 Personal-Account E-Mails "pertain[ed] to the solicitation or execution of securities transactions" or related "to any firm or investment related business."

59. George did not at any time provide or otherwise make available to McGinn for the Firm's review or retention within its records a copy of any of the 77 Personal-Account E-Mails.

60. By failing to provide McGinn with copies of the 77 Personal-Account E-Mails, George circumvented review and approval by the Firm of his communications with

KM and he caused the Firm to fail to retain copies of the 77 Personal-Account E-Mails in conformance with applicable recordkeeping requirements.

61. George also did not retain or preserve copies of the 77 Personal-Account E-Mails within his own records or files. By failing to retain or preserve copies of the 77 Personal-Account E-Mails, George could not produce them to the Staff in connection with the underlying examination.

62. By reason of the foregoing, George violated FINRA Rule 2010.

**FIFTH CAUSE OF ACTION
(Failure To Respond Timely (FINRA Rules 8210 and 2010))**

63. The Department realleges and incorporates by reference Paragraphs 1 through 62 above.

64. As part of its examination of this matter, the Staff sent to George the following seven separate requests for information and documents pursuant to FINRA Rule 8210 (collectively, the “Seven Rule 8210 Requests”), each via First-Class U.S. Mail and Certified Mail, Return-Receipt Requested, at both his then-current Central Registration Depository (“CRD”) residential address (the “CRD Address”) and at his then-current FINRA-member firm business address (the “Business Address”), with copies of all Seven Rule 8210 Requests to the Chief Compliance Officer (“CCO”) of George’s then-current FINRA-member firm:

- a. On October 14, 2010, a letter requiring a response by October 29, 2010;
- b. On October 15, 2010, a letter requiring a response by November 1, 2010;
- c. On October 18, 2010, a letter requiring a response by November 2, 2010;

- d. On October 19, 2010, a letter requiring a response by November 2, 2010;
 - e. On October 21, 2010, a letter requiring a response by November 4, 2010;
 - f. On October 24, 2010, a letter requiring a response by November 8, 2010; and
 - g. On October 27, 2010, a letter requiring a response by November 11, 2010.
65. On October 27, 2010, George requested from the Staff an extension to respond to the Seven Rule 8210 Requests. The Staff granted George an extension to respond to November 19, 2010.
66. On November 18, 2010, George requested from the Staff another extension to respond to the Seven Rule 8210 Requests. The Staff granted George an extension to respond to November 29, 2010.
67. George did not respond to any of the Seven Rule 8210 Requests on or before November 29, 2010 and he did not by that date request from the Staff another extension of his deadline to respond.
68. On December 2, 2010, the Staff sent to George, separately, all Seven Rule 8210 Requests, each via First-Class U.S. Mail and Certified Mail, Return-Receipt Requested, at both the CRD Address and the Business Address, with copies of all Seven Rule 8210 Requests to the CCO of George's then-current FINRA-member firm. George's deadline to respond was December 10, 2010.
69. On or about December 3, 2010, the Seven Rule 8210 Requests sent to George at the Business Address via Certified Mail, Return-Receipt Requested, were delivered. The Return-Receipt cards for all Seven Rule 8210 Requests sent to George at the Business Address were returned, signed, to the Staff. The envelopes for six of the Seven

Rule 8210 Requests sent to George at the CRD Address were returned to the Staff by the U.S. Postal Service, unopened and stamped "Returned to Sender" and "Unclaimed." To date, none of the Seven Rule 8210 Requests sent to George at the CRD Address, none of the Seven Rule 8210 Requests sent to George at the Business Address, and none of the Seven Rule 8210 Requests copied to the CCO of George's then-current FINRA-member firm on December 2, 2010 via First-Class U.S. Mail has been returned to the Staff.

70. George did not respond to any of the Seven Rule 8210 Requests on or before December 10, 2010 and he did not by that date request from the Staff an extension of his deadline to respond.

71. On March 11, 2011, the Staff again sent to George, separately, all Seven Rule 8210 Requests, each via First-Class U.S. Mail and Certified Mail, Return-Receipt Requested, at both the CRD Address and the Business Address, with copies of all Seven Rule 8210 Requests to the CCO of George's then-current FINRA-member firm. George's deadline to respond was March 28, 2011.

72. On March 18, 2011, George requested from the Staff an extension to respond to the Seven Rule 8210 Requests. The Staff granted George an extension to respond to April 25, 2011.

73. George did not respond to any of the Seven Rule 8210 Requests on or before April 25, 2011 and he did not by that date request from the Staff another extension of his deadline to respond.

74. On June 14, 2011, George responded to all Seven Rule 8210 Requests.

75. By reason of the foregoing, George violated FINRA Rules 8210 and 2010.

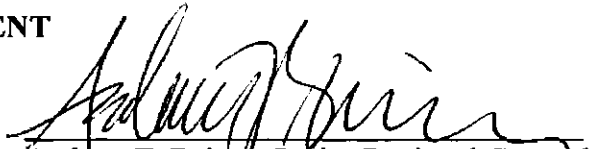
RELIEF REQUESTED

WHEREFORE, the Department respectfully requests that the Panel:

- A. make findings of fact and conclusions of law that Respondent committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a) be imposed, including monetary sanctions and that Respondent be required to disgorge fully any and all ill-gotten gains and/or make full and complete restitution, together with interest; and
- C. order that Respondent bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330.

FINRA DEPARTMENT OF ENFORCEMENT

Date: May 23, 2013



Andrew T. Beirne, Senior Regional Counsel
David Jaffe, AVP/Regional Chief Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street
New York, NY 10281
Phone: (212) 858-4080
Fax: (202) 721-6565
E-Mail: andrew.beirne@finra.org