

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
November 23, 2004

ADMINISTRATIVE PROCEEDING
File No. 3-11745

In the Matter of

Frederick J. Gilliland,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
15(b) OF THE SECURITIES EXCHANGE ACT
OF 1934**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Frederick J. Gilliland (“Respondent” or “Gilliland”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Gilliland, 52 years of age, resides in Vancouver, British Columbia. For a portion of the time in which he engaged in the conduct underlying the complaint described below, Gilliland resided in Florida and acted as an unregistered broker-dealer.

B. ENTRY OF THE INJUNCTION

2. On October 26, 2004, a final judgment was entered against Gilliland, permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (“Securities Act”) and Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder in the civil action entitled Securities and Exchange Commission v. Frederick J. Gilliland, Civil Action Number 3:02-CV-128McK, in the United States District Court for the Western District of North Carolina.

3. The Commission’s complaint alleged that, between at least mid-1997 through November 1998, Gilliland sold more than \$29 million in interests in a succession of non-existent prime bank trading programs to more than 200 investors. In connection

with his scheme, Gilliland misrepresented and omitted material facts concerning: (1) the existence of the trading programs; (2) the use of investor funds; (3) the promised return; and (4) the safety of the funds invested. For example, the investment agreements that Gilliland's investors typically signed referred to the investment programs as a "high-yield banking transaction." Most of these programs guaranteed rates of return ranging from 30% per month to as high as 130% per 10 days. According to the Commission's complaint, Gilliland also misrepresented that the investments were safe because they would be fully collateralized by U.S. Treasury bills.

4. The complaint also alleged that the prime bank interests were securities, the sale of which was required to be registered under the federal securities laws, and that Gilliland acted as an unregistered broker-dealer in selling these securities

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 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; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange 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 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 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

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.

For the Commission, by its Secretary, pursuant to delegated authority.

Jonathan G. Katz
Secretary