

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2015046767801**

TO: Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

RE: Derrick T. Watts, ("Respondent" or "Watts")  
General Securities Representative  
CRD No. 2479608

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

**BACKGROUND**

Between 1994 and March 2009, Watts was registered with two different FINRA regulated broker-dealers as a Series 7 General Securities Representative. In March 2009, Watts became registered with Oppenheimer & Co., Inc. ("OpCo"), another FINRA regulated broker-dealer. In November 2015, OpCo filed a Uniform Termination Notice for Securities Industry Registration ("Form U5") disclosing that Watts' employment with OpCo was terminated because of "excessive judgments/liens/garnishments." In December 2015, Watts registered with Wunderlich Securities, Inc., another FINRA registered broker-dealer, where he remains registered, and, as such, is subject to FINRA's jurisdiction.

**RELEVANT DISCIPLINARY HISTORY**

Watts has no relevant disciplinary history in the securities industry.

## **OVERVIEW**

Watts failed to timely report four unsatisfied civil judgments on his Uniform Notice of Securities Industry Registration ("Form U4"). These judgments were entered by the issuing courts in November 2009, June 2010, May 2012, and August 2013, and Watts knew or should have known of these judgments on or around the time they were entered. These judgments, however, were not disclosed by Watts to his employing FINRA regulated broker-dealer until March 2015, August 2010, August 2012, and March 2014. As such, the judgments were not reported timely on Watts's Form U4, in violation of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010.

## **FACTS AND VIOLATIVE CONDUCT**

Article V, Section 2(c) of FINRA's By-Laws provides that every application for registration filed with FINRA shall be kept current at all times by supplementary amendments which must be filed within thirty days after learning of the facts or circumstances giving rise to the amendment. FINRA Rule 1122 provides that no member or person associated with a member shall file incomplete or inaccurate information so as to be misleading. Failing to update timely information required on the Form U4 is not consistent with the high standards of commercial honor and just and equitable principles of trade and, therefore, also violates FINRA Rule 2010.

On November 23, 2009, EF, a Certified Public Accountant, obtained a judgment against Watts for \$1,858 (the "EF Judgment"). Although Watts was present in court when the judgment was entered, he failed to disclose the EF Judgment to his Firm until on or around March 20, 2015.

On June 3, 2010, a bank ("Bank 1") obtained a judgment for \$1,259,958 against Watts and a limited liability company of which he was a member ("Bank 1 Judgment"). Despite knowing on June 3, 2010 that Bank 1 had obtained a judgment against him, Watts disclosed the Bank 1 Judgment to OpCo on August 12, 2010, approximately two months later, when he received notice that Bank 1 was attempting to collect on the judgment. The Bank 1 Judgment remains unsatisfied.

On May 8, 2012, a different bank ("Bank 2") obtained a judgment for \$977,172 against Watts and a limited liability company of which he was a member (the "Bank 2 Judgment"). Despite knowing about the judgment on May 8, 2012, Watts did not disclose the Bank 2 Judgment to his Firm until approximately three months later on August 15, 2012. The Bank 2 Judgment remains unsatisfied.

On August 15, 2013, a broker-dealer firm obtained a judgment for \$159,779 against Watts (the "Broker-Dealer Judgment"). Despite knowing about the judgment on August 15, 2013, Watts did not disclose the Broker-Dealer Judgment

to his Firm until approximately seven months later on March 19, 2014. The Broker-Dealer Judgment remains unsatisfied.

By failing to timely amend his Form U4 to reflect the judgments, Watts violated FINRA By-Laws Article V, Section 2(c), and FINRA Rules 1122 and 2010.

B. I also consent to the imposition of the following sanctions:

A three month suspension from associating with any FINRA member in any capacity.<sup>1</sup>

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff.

## II.

### WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

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<sup>1</sup> On February 5, 2016, Respondent Derrick Watts filed a Chapter 7 bankruptcy petition pursuant to Title 11, United States Code. Accordingly, no monetary sanction is being assessed in this matter.

I further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

### **III.**

#### **OTHER MATTERS**

**I understand that:**

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
  - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
  - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
  - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
  - 4. I may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand

that I may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

03/10/2016

Date (mm/dd/yyyy)



Derrek T. Watts, Respondent

Reviewed by:



Alan Wolper

Counsel for Respondent

Ulmer & Berne, LLP

500 West Madison Street, Suite 3600

Chicago, Illinois 60661-4587

Accepted by FINRA:

3/29/16

Date

Signed on behalf of the  
Director of ODA, by delegated authority



Richard Chin

Chief Counsel

FINRA Department of Enforcement

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