

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021069366201**

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

RE: Christopher M. Watkins (Respondent)
Former General Securities Representative
CRD No. 2376887

Pursuant to FINRA Rule 9216, Respondent Christopher M. Watkins submits 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 Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Watkins was first registered with FINRA through his association with a FINRA member firm in 1993. After leaving that firm in 1996, Watkins was registered with FINRA through associations with three other member firms from May 1996 to March 1998, March 1998 to January 2000, and March 2000 to October 2000, respectively. Beginning in September 2000, Watkins was also registered with FINRA through his association with Watkins Financial Services, Inc. (WFS) as a General Securities Representative, a General Securities Principal, a Financial and Operations Principal, an Operations Professional (since February 2012), and a Compliance Officer (since October 2018). In December 2023, WFS filed a Uniform Termination Notice for Securities Industry Registration (Form U5) for Watkins and a full Uniform Request for Broker-Dealer Withdrawal (Form BDW) for WFS. Watkins' registration with FINRA was terminated on December 31, 2023. WFS's Form BDW became effective in February 2024 and it is no longer a FINRA member firm. Although Watkins is no longer registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4 of FINRA's By-Laws.

In September 2000, the Utah Division of Securities entered into a Stipulation and Consent Order with Watkins to resolve allegations that he sold or offered securities without registration, failed to become licensed as an issuer agent, and received non-exempt investment advisor compensation in violation of the Utah Uniform Securities Act, all arising out of the offer and sale of certain limited partnership interests and the

operations of that limited partnership. Watkins stipulated to specific actions regarding the future operations of the limited partnership and was fined \$3,100.

In May 2001, FINRA accepted an AWC finding that Watkins failed to promptly disclose five outside brokerage accounts in violation of NASD Rules 3050 and 2110. Watkins was censured and fined \$2,500.

In May 2006, FINRA accepted an AWC finding that Watkins violated NASD Rule 2110 by failing to have WFS hold funds raised in a contingent offering in escrow until the contingency occurred, in violation of Exchange Act Rule 15c2-4. Watkins was fined \$5,000.¹

OVERVIEW

From July 2019 through December 2022, Watkins charged two customers more than a fair commission on 130 equity transactions by failing to consider all factors relevant to the fairness of those commissions. As a result, he violated FINRA Rules 2121 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's 2021 cycle exam of WFS.

FINRA Rule 2121 provides that:

In securities transactions, if a member ... acts as agent for his customer ..., he shall not charge his customer more than a fair commission or service charge, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense of executing the order and the value of any service he may have rendered by reason of his experience in and knowledge of such security and the market therefor.

FINRA Rule 2121 Supplementary Material .01 (Rule 2121.01) provides that the long-standing guideline of five percent for determining whether a mark-up or commission is unfair "is a guide, not a rule," and that commissions of less than five percent may be considered unfair, depending on the circumstances. FINRA Rule 2121.01 identifies other factors that member firms should consider in determining the fairness of a commission, including: (i) the type of security involved; (ii) the availability of the security in the market; (iii) the price of the security; (iv) the size of the transaction; (v) whether the member disclosed the transaction cost to the customer prior to the trade; (vi) any pattern of the member's charges; and (vii) the nature of the member's business.

FINRA Rule 2121.01(c)(5) further explains that FINRA Rule 2121 and the "5% Policy" apply to a "proceeds" transaction in which "a customer sells securities to, or through, a

¹ For more information about the respondent, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

broker/dealer, the proceeds from which are utilized to pay for other securities purchased from, or through, the broker/dealer at or about the same time.” In such instances, the commission on the proceeds transaction is computed as if the customer had purchased for cash and includes any commissions on the sale of the securities.

The so-called 5% Policy was established in 1943. In 2011, FINRA commissioned a study finding that five percent is significantly higher than the average markup, markdown or commission then-currently charged by most firms in equity transactions.² In that study, which was based on a sample of more than 161,000 equity transactions with customers, the mean markup was 2.2 percent and the average or median markup was 2 percent. Since 1943, advances in information and communication technologies, and member firms’ front and back office technologies, have significantly reduced execution costs. As a result, markups, markdowns and commissions also have decreased in many investment products. In addition, customers generally have multiple execution options, and competition among market professionals has driven down the amount of markup, markdown or commission a member firm will charge.³

By July 2019, Watkins was the sole registered representative at WFS, which he owned and controlled. In addition to his roles at WFS, Watkins also controlled a separate closely-held investment advisor entity. That investment advisor entity served as the general partner of a small investment fund with six limited partners. Watkins and his investment advisor entity held the fund’s assets in an account at WFS and made all of the fund’s investment decisions. In return, they charged the fund a 2% annual management fee and a 20% annual performance fee. Watkins had a similar arrangement with a relative who served as the trustee for two family trust accounts.

From July 2019 through December 2022, Watkins failed to consider all relevant factors in determining the brokerage commissions to charge these customers for executing the individual securities transactions that Watkins and his investment advisor entity directed in their accounts. Instead, he generally charged a percentage of each transaction’s principal value approaching 5% that would produce a round number dollar amount.

On 130 occasions, Watkins charged these customers unfair commissions that substantially exceeded what he charged other WFS customers at arm’s length for similar transactions. In addition, on 46 of those occasions, Watkins charged an average aggregate commission in excess of 5% to execute a proceeds transaction (to purchase securities using the proceeds from selling securities at or about the same time). These commissions were not justified by market conditions; execution cost; the provision of any special brokerage services; the value of any brokerage services rendered by reason of Watkins’ experience in or knowledge of the securities or the market; or any other relevant factor. In addition, Watkins determined the commissions on purchases in proceeds transactions without considering the commissions on the corresponding sales. In all, Watkins overcharged these customers by \$42,768.72.

² Regulatory Notice 11-08 (Feb. 2011).

³ Regulatory Notice 13-07 (Jan. 2013).

Therefore, Watkins violated FINRA Rules 2121 and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a 2-month suspension from associating with any FINRA member in any capacity;
- a \$15,000 fine; and
- restitution of \$42,768.72 plus interest as described below.

Respondent understands that if he is barred or suspended from associating with any FINRA member, he becomes 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, he 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 fine shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Restitution is ordered to be paid to the customers listed on Attachment A to this AWC (Eligible Customers) in the total amount of \$42,768.72, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from December 2022 until the date this AWC is accepted by the National Adjudicatory Council (NAC).

Respondent shall submit satisfactory proof of payment of restitution (separately specifying the date and amount of each paid to each Eligible Customer) or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted by email to EnforcementNotice@FINRA.org. The email must identify Respondent and the case number and include a copy of the check, money order, or other method of payment. This proof shall be provided by email to EnforcementNotice@FINRA.org no later than 120 days after the date of the notice of acceptance of the AWC.

The restitution amount plus interest to be paid to each Eligible Customer shall be treated by the Respondent as the Eligible Customer's property for purposes of state escheatment, unclaimed property, abandoned property, and similar laws. If after reasonable and documented efforts undertaken to effect restitution Respondent is unable to pay all Eligible Customers within 120 days after the date of the notice of acceptance of the AWC, Respondent shall submit to FINRA in the manner described above a list of the unpaid Eligible Customers and a description of Respondent's plan, not unacceptable to FINRA, to comply with the applicable escheatment, unclaimed property, abandoned property, or similar laws for each such Eligible Customer.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions imposed in this matter.

The imposition of a restitution order or any other monetary sanctions in this AWC, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against him;
- 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment 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 its acceptance or rejection.

Respondent further specifically and voluntarily waives 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.

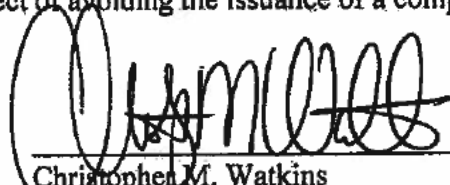
OTHER MATTERS

Respondent understands 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 Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 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 its subject matter in accordance with FINRA Rule 8313; and
 - 4. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he 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.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

3/20/24
Date



Christopher M. Watkins
Respondent

Reviewed by:

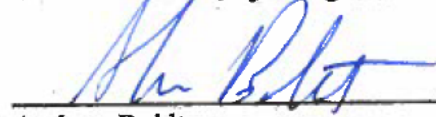


Maria Windham
Counsel for Respondent
Ray Quinney & Nebeker P.C.
36 South State Street, Suite 1400
Salt Lake City, UT 84111

Accepted by FINRA:

3/28/24
Date

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



Andrew Boldt
Senior Counsel
FINRA
Department of Enforcement
55 W. Monroe St., Ste. 2600
Chicago, IL 60603-5001

ATTACHMENT A

Customer	Principal Amount
Customer 1	\$11,258.87
Customer 2 – Account 1	\$10,735.07
Customer 2 – Account 2	\$20,774.78
Total	\$42,768.72