

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140411232-01**

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

RE: Suzette M. Foster, Respondent
CRD No. 3206717

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Suzette M. Foster ("Foster" or the "Respondent") 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 herein.

I.

ACCEPTANCE AND CONSENT

- A.** Respondent hereby accepts and consents, 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 AND DISCIPLINARY HISTORY

Foster first became registered with a member firm in March 1999 and obtained a Municipal Securities Principal License in October 1999. In June 2001, Foster was hired by Proequities, Inc. ("PROE" or "the firm") as an investment adviser and compliance officer. In October 2013, Foster became the firm's Chief Compliance Officer, a position she retained until she resigned from the firm on October 8, 2015. Foster's registration with FINRA was terminated on November 6, 2015. FINRA retains jurisdiction over Foster pursuant to Article V, Section 4 of the FINRA's By-Laws. Foster has no disciplinary history.

SUMMARY

In matter no. 20140411232, the Municipal Bonds Team of the Department of Market Regulation (the "staff") reviewed the firm's trade reporting of municipal securities during the period of January 1, 2014 through March 31, 2014. During the course of its investigation, the staff found that Foster: (i) created and provided the staff with false and misleading documents in response to two separate information requests, and (ii) provided false and misleading testimony during her sworn on-the-record ("OTR") interview. Based on this conduct, Foster violated FINRA Rules 8210 and 2010.

FACTS AND VIOLATIVE CONDUCT

1. The staff initiated a review of certain transaction reporting of municipal securities at the firm during the period of January 1, 2014 through March 31, 2014.
2. In connection with its review, on May 8, 2014, the staff sent the firm an information request seeking information related to the firm's transaction reporting of municipal securities, and its related supervision.
3. Pursuant to Item 4 of that request, the staff sought "[c]opies of any and all documents evidencing that a supervisory review of trade reporting compliance of municipal securities was conducted" for the period of January 1, 2014 through March 31, 2014.
4. Pursuant to Item 5, the staff also sought "name(s) and CRD numbers of the designated registered principal(s) with authority to carry out the supervisory responsibilities of the firm for Municipal Securities Rulemaking Board ("MSRB") Rule G-14 relating to trade reporting in municipal securities" for the period of January 1, 2014 through March 31, 2014.
5. On May 21, 2014, the firm provided a response which was prepared and signed by a firm compliance officer (the "compliance officer"). The response did not include any documentary evidence of supervisory reviews for trade reporting of municipal securities.
6. In response to Item 5, the firm's May 21, 2014 letter identified Foster as the designated registered principal with supervisory responsibilities at the firm related to MSRB Rule G-14.
7. On April 7, 2015, the staff sent an email to the compliance officer for evidence of supervisory reviews for trade reporting of municipal securities. The firm did not respond to the staff's April 7, 2015 email. On May 6, 2015, the staff sent an additional follow-up email to the compliance officer again requesting evidence of supervisory reviews for trade reporting of municipal securities.
8. On May 18, 2015, the compliance officer sent an email response to the staff stating, in pertinent part: "[b]elow is a response from Mrs. Suzette Foster.... : The firm's municipal securities principal reviews the RTRS¹ Error Code Review and Response Report (from the RTRS Web interface) on a monthly basis. Any trades which are coded as reported late are reviewed with the trading staff to determine the reason for the late reports. The reports for January, February and March 2014 are attached."
9. The reports that the firm attached to the May 18, 2015 email response for January 2014, February 2014, and March 2014 (the "first set of reports") were .pdf copies of

¹ The MSRB makes Error Code Review and Response Reports available through its Real-time Transaction Reporting System ("RTRS") Web interface to allow firms to view their trading activity and compliance results for municipal securities.

printed screen shots of the Error Code Review and Response Reports that are viewable through the RTRS Web interface.

10. The first set of reports included two pages each for January 2014, February 2014, and March 2014. The first page for each month was initialed and dated. The January report had the hand written date "2/6/14"; the February report had the hand written date "3/12/14"; and the March report had the hand written date "4/9/14."
11. The first set of reports contained a "Last Updated Date" field of May 18, 2015, a date more than one year after the February 2014, March 2014, and April 2014 handwritten dates on the reports.
12. On June 26, 2015, the staff sent an information request letter to the firm pursuant to FINRA Rule 8210 seeking evidence of a contemporaneous supervisory review for trade reporting of municipal securities for January 2014 through March 2014.
13. On June 29, 2015, Foster sent an email to the staff that included a .pdf attachment of of three one page spreadsheets with municipal securities trading information for the months of January 2014, February 2014, and March 2014 (the "second set of reports").
14. The three one page spreadsheets that the firm provided in the second set of reports were the underlying trade data from the Error Code Reports that had been downloaded from the MSRB's RTRS website.
15. The three one page spreadsheets in the second set of reports each included handwritten dates. The January 2014 trade data had the handwritten date "2/6/14"; the February 2014 trade data had the handwritten date "3/12"; and, the March 2014 trade data had the handwritten date "4/9".
16. On August 11, 2015, the staff took Foster's sworn OTR testimony. During testimony, in response to the staff's questions about the first set of reports, Foster represented for the first time that the first set of reports did not represent her original evidence of supervisory review. Rather, she testified that she created, initialed, and dated the first set of reports on May 18, 2015, to present the staff with a document that more clearly laid out the supervisory reviews that she originally conducted in February 2014, March 2014, and April 2014. She testified that she initially documented the reviews on the spreadsheets that were provided as the second set of reports.
17. Then, Foster gave testimony about her procedure for conducting the January 2014, February 2014, and March 2014 reviews in which she explained that each month she would electronically access RTRS Web to request the reports and download the trading data to create the documents that were provided as the second set of reports. Foster represented that she contemporaneously dated the second set of reports on February 6, 2014, March 12, 2014, and April 9, 2014 to indicate that she completed her reviews on those dates.

18. Prior to Foster's testimony, the staff obtained evidence demonstrating that she had not accessed the RTRS Web interface between January 1, 2014 and early May 2014, contradicting her testimony that she had accessed the RTRS Web on a monthly basis to create the second set of reports and conduct her supervisory reviews on the dates she wrote on the reports.
19. When Foster was confronted with evidence demonstrating that she had not accessed the RTRS Web interface between January 1, 2014 and May 14, 2014, Foster provided further conflicting testimony that other firm employees may have created the reports for her. Foster's explanation was inconsistent with the testimony of other firm employees during the investigation.
20. Foster created and produced false and misleading responses to the staff's requests for information in an effort to lead the staff to believe that she had conducted supervisory reviews for transaction reporting of municipal securities in February 2014, March 2014, and April 2014.
21. Foster also provided false and misleading testimony when she stated that she had conducted contemporaneous supervisory reviews for trade reporting of municipal securities in February 2014, March 2014, and April 2014 and dated the second set of reports on the dates she conducted the reviews, and when she stated that during the course of the staff's inquiry she had not created any documents to make it appear as though she had conducted supervisory reviews for trade reporting of municipal securities when she had not conducted any such reviews.
22. The conduct described above represents separate and distinct violations of FINRA Rules 8210 and 2010.

B. Foster also consents to the imposition of the following sanction:

- A bar from associating with any FINRA member firm in any capacity.

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, as amended. 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. A bar or expulsion shall become effective upon approval or acceptance of this AWC.

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 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, 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 acceptance or rejection of this AWC.

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 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. 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 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.

I certify that I have read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that I have agreed to the AWC's 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 the firm to submit it.

April 14, 2017

Date

Respondent

Suzette M. Foster

By: Suzette M. Foster

Name: Suzette Foster

Title: _____

Reviewed by:



Attorney Name
Counsel for Respondent

Firm Name

Address

City/State/Zip

Phone Number

Accepted by FINRA:

5/9/17
Date

Signed on behalf of the

Director of ODA, by delegated authority

Robert A. Marchman TSG

Robert A. Marchman

Executive Vice President & Counsel

FINRA Department of Market Regulation