

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the
Continued Membership
of

Cambria Capital, LLC
(CRD No. 133760)

Notice Pursuant to
Rule 19h-1
Securities Exchange Act
of 1934

SD-2355

September 22, 2023

I. Introduction

On March 14, 2023, Cambria Capital, LLC (“Cambria” or “Firm”) submitted a Membership Continuance Application (“MC-400A” or “Application”) to FINRA’s Credentialing, Registration, Education, and Disclosure (“CRED”).¹ The Application seeks to permit the Firm, a FINRA member, to continue its membership with FINRA notwithstanding its statutory disqualification. A hearing was not held in this matter; rather, pursuant to FINRA Rule 9523(b), FINRA’s Department of Member Supervision (“FINRA,” “Member Supervision,” or “Department”) approves the Application and is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act” or “SEA”).

II. The Statutorily Disqualifying Event

The Firm is subject to statutory disqualification, as that term is defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Section 15(b)(4)(D), as a result of a March 2023 Order issued by the Securities and Exchange Commission (“SEC” or “Commission”) finding Cambria willfully violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder (the “SEC Order”).² According to the SEC Order, from at least March 2017 to May 2019, the Firm failed to properly investigate certain suspicious conduct, failed to investigate red flags listed in its Written Supervisory Procedures (“WSPs”), and when required failed to file Suspicious Activity Reports (“SARs”).³ Specifically, in relation to the Firm’s microcap securities business, the Firm’s customer conducted numerous transactions which involved liquidation of microcap securities and

¹ See MC-400A Application and related attachments compiled by CRED, with a cover memorandum dated March 20, 2023, collectively attached as Exhibit 1.

² See SEC Order, *In re Cambria Capital LLC*, Admin. Proc. No. 3-21319 (March 2, 2023), attached as Exhibit 2.

³ See Exhibit 2 at pp. 2 and 5-7.

the immediate wire out of funds from customer accounts, which were all red flags per Cambria's WSPs.⁴ Despite the existence of numerous red flags, the Firm has no record of investigating suspicious activity and filed only two SARs.⁵

The Firm was ordered to cease and desist from committing or causing any future violations, censured, ordered to pay a civil money penalty of \$100,000, and to comply with undertakings which included hiring an independent anti-money laundering ("AML") compliance consultant.⁶

According to the Firm's Application, the Firm ceased participating in the business identified in the SEC's Order.⁷ Also, since the date of the order, the Firm represents that it is complying with undertakings in the SEC Order and retained an independent compliance consultant to review its AML compliance program, who issued a report on June 16, 2023.⁸ The Firm is currently evaluating and implementing the recommendations in the report.⁹

III. Firm Background

Cambria has been a FINRA member since 2005.¹⁰ It is headquartered in Salt Lake City, UT¹¹ with one branch listed as an office of supervisory jurisdiction.¹² The Firm employs approximately four registered representatives, five dually registered representatives/investment advisers, of whom six are registered principals, one operations professional and one non-registered fingerprint employees.¹³ The Firm does not employ

⁴ *Id.*

⁵ *Id.*

⁶ *Id.* at p. 9. The Firm is on an installment payment plan in connection with the civil penalty. *Id.* at pp. 9-10. The Firm represents that it has completed the first three required payments on March 3, 2023, April 3, 2023, and June 26, 2023. *See* Exhibit 1 at FINRA00043. *See also* FINRA Discovery Request dated May 9, 2023 and the Firm's Document Submission in Response to the Discovery Request, collectively attached as Exhibit 3 at p. 3; and, Firm Correspondence dated August 3, 2023, attached as Exhibit 4 at p. 1 and internal Exhibit A.

⁷ *See* Exhibit 1 at FINRA00046.

⁸ *See* Exhibit 3 at pp. 5-6. *See also* Exhibit 4 at p. 1 and internal Exhibit C.

⁹ *See* Exhibit 4 at pp. 1-2.

¹⁰ *See* Central Registration Depository ("CRD") Firm Snapshot, attached as Exhibit 5 at p. 3.

¹¹ *Id.*

¹² FINRA confirmed this through analysis of the Firm's information contained in CRD, last performed on August 1, 2023.

¹³ *Id.*

any statutorily disqualified individuals.¹⁴

Cambria is approved to engage in the following lines of business: broker or dealer retailing corporate equity securities over-the-counter; broker or dealer selling corporate debt securities; underwriter or selling group participant (corporate securities other than mutual funds); mutual fund retailer; municipal securities dealer; municipal securities broker; broker or dealer selling variable life insurance or annuities; put and call broker or dealer or option writer; investment advisory services; non-exchange member arranging for transactions in listed securities by exchange member; private placements of securities; broker or dealer involved in a networking, kiosk, or similar arrangement with an insurance company or agency; and engages in other securities business and other non-securities business such as life and health insurance agency.¹⁵

The Firm is a member of the Municipal Securities Rulemaking Board (“MSRB”).¹⁶

Recent Examinations

In the past two years, FINRA completed one routine examination and one non-routine examination of the Firm that resulted in Cautionary Action Letters (“CAL”).

A. FINRA Routine Examination

The examination completed in January 2022 resulted in a Cautionary Action for five exceptions.¹⁷ These exceptions pertained to: failures to follow Form CRS instructions; failure to promptly display Form CRS when delivered to customers; in some instances failed to provide proof of Form CRS delivery or the delivery was late; failure to document necessary information evidencing its review of eleven outside business activities (“OBAs”), and failure to update a representative’s Form U4 within 30 days of receiving his notice of involvement in an OBA.¹⁸ The Firm responded that it revised its Form CRS in accordance to the instructions provided by the SEC, updated the location of Form CRS in its disclosure documents, updated its onboarding process in reference to representatives’ OBAs, and updated the representatives Form U4 to reflect the OBA.¹⁹

B. FINRA Non-Routine Examinations

¹⁴ *Id.*

¹⁵ See CRD Excerpts: Types of Business and Other Business Descriptions, collectively attached as Exhibit 6.

¹⁶ Membership in this organization was verified by FINRA staff through a search of public member directories, last performed on August 1, 2023.

¹⁷ See Disposition Letter for Examination No. 20220734185 dated January 20, 2023, Examination Report dated December 12, 2022, and Firm Response dated January 13, 2023, collectively attached as Exhibit 7.

¹⁸ See Disposition Letter and Examination Report at Exhibit 7 at pp. 1-10.

¹⁹ See Firm Response at Exhibit 7 at pp. 11-17.

In October 2021, FINRA issued a Cautionary Action to the Firm for deficiencies in posting its Rule 606 quarterly reports and for the Firm’s supervisory system not providing for supervision reasonably designed to achieve compliance with Rule 606.²⁰ The Firm responded that it communicated with its clearing brokers regarding accuracy and timeliness of reports and believe all issues have been address, and the Firm updated its procedures.²¹

Regulatory Actions

Other than the disqualifying event, the Department is not aware of any recent regulatory actions against the Firm.

IV. Prior SEA Rule 19h-1 Notices

Cambria has not been the subject of any prior SEA Rule 19h-1 Notices.

V. The Firm’s Proposed Continued Membership with FINRA Plan of Heightened Supervision

The Firm seeks to continue its membership with FINRA notwithstanding its status as a disqualified member. The Firm has agreed to the following Plan of Heightened Supervision (“Supervision Plan” or “Plan”) as a condition of its continued membership with FINRA.²²

Cambria is subject to statutory disqualification pursuant to 3(a)(39)(F) of the Securities Exchange Act of 1934, which incorporates by reference Section 15(b)(4)(D), as a result of an order issued by the U.S. Securities and Exchange Commission dated March 2, 2023, which found that the Firm willfully violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

In consenting to this supervisory plan, the Firm agrees to the following:

1. The Firm shall comply with all of the undertakings outlined in the SEC Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 And Section 203(e) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, *In the Matter of Cambria Capital LLC, Admin. Proc. No. 3-21319 (March 2, 2023)* (“SEC Order”).
2. Within 120 days from the Letter of Acknowledgment (“LOA”) issued by the SEC in this matter, and on annual cadence after the initial review, the Firm shall review

²⁰ See Disposition Letter for Examination No. 20210711424 dated October 20, 2021, and Firm Response dated June 10, 2021, collectively attached as Exhibit 8.

²¹ See Firm Response at Exhibit 8 at pp. 3-9.

²² See Executed Consent to Plan of Heightened Supervision dated September 20, 2023, attached as Exhibit 9.

and update, as necessary, its written policies and procedures with respect to its AML compliance program, including, but not limited to, red flags and filing SARs. The Firm shall document its review and any updates made. The Firm shall segregate and maintain the documentation for ease of review by FINRA staff.

3. Within 120 days from the LOA issued by the SEC in this matter, and on annual cadence after the initial review, the Firm shall review its training materials with respect to its AML compliance program, including but not limited to, identifying red flags, and filing SARs. The Firm should also incorporate any necessary changes. The Firm shall document its review and any updates made. The Firm shall segregate and maintain the documentation for ease of review by FINRA staff.
4. If any updates are made with respect to the above training materials, in respect to its AML compliance program, the Firm will incorporate the updates into its annual training which will be mandatory for all relevant FINRA registered personnel. New relevant FINRA registered personnel must complete said training within 120 days of date of hire. If updates are made to the training, as it relates to the above, the Firm shall maintain and segregate the training materials, along with documentation of the completion of the training by the above covered persons for ease of review by FINRA staff.
5. The Firm no longer engages in the business of accepting customer deposits of securities that are considered penny stocks, as defined in Exchange Act Rule 3a51-1, and then liquidating those securities. Should the Firm want to engage in the business of accepting customer deposits of securities that are considered penny stocks and then liquidating those securities, the Firm shall notify FINRA's Risk Monitoring 60 days prior to engaging in this type of business.
6. The Firm shall maintain copies of all correspondence between the Firm and Commission staff, including documenting when Commission staff grants extensions to the deadlines set forth in the SEC Order. Copies of all correspondence shall be maintained and kept segregated for ease of review by FINRA staff.
7. The Firm shall provide FINRA's Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as specified in the SEC Order. The Firm shall also maintain copies of all certifications in a segregated file for ease of review by FINRA staff.
8. The Firm shall maintain copies of all reports and supporting documentation submitted to SEC staff in accordance with the SEC Order, as well as any other documentation needed to evidence the status and completion of each of the undertakings outlined in the SEC Order. These copies shall be kept in a segregated file for ease of review by FINRA staff.
9. All requested documents and certifications under this Supervision Plan shall be sent directly to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.

10. The Firm shall obtain written approval from FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org prior to changing any provision of the Supervision Plan.

VI. Discussion

After carefully reviewing the entire record in this matter, FINRA approves the Firm's request to continue its membership with FINRA, subject to the terms and conditions set forth herein. In evaluating Cambria's Application, FINRA assessed whether the Firm has demonstrated that its continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. *See* FINRA By-Laws, Art. III, Sec. 3(d); *cf. Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"). Typically, factors that bear on FINRA's assessment include, among other things, the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, the Firm's regulatory history, and whether there has been any intervening misconduct.

As of the date of this Notice, FINRA has determined that the Firm's continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. While the SEC Order identified serious violations of securities laws, the Firm was not expelled or suspended, nor were any limitations placed on Cambria's securities activities. The SEC Order outlines an installment payment plan for the civil penalty and the Firm has complied with its payment obligations under the installment payment plan. Additionally, the Firm has complied with the undertakings of retaining an independent AML compliance consultant; and, the Firm is currently evaluating and implementing the recommendations in the independent compliance consultant's report. Lastly, the Firm represented that it no longer participates in the business which was the cause of the violations identified in the SEC Order.

In its evaluation of the Firm's application, FINRA conducted a review of the Firm's regulatory history and recent exam history. Despite the SEC Order, the Firm has a limited regulatory history and without any other hindrance to the Firm's ability to continue as a FINRA member. FINRA notes the recent routine and non-routine examinations that resulted in numerous exceptions; however, the Firm took multiple steps to resolve the deficiencies, including updating its procedures and updating various items in relation to its Form CRS.

FINRA is further reassured by the controls set in place by the Firm's Supervision Plan which bolster the undertakings outlined in the SEC Order and will continue to provide oversight of the Firm and its compliance with its remaining undertakings. Furthermore, the Firm's Supervision Plan strengthens the Firm's overall compliance with the issues identified for years to come. The Firm, after this approval, and on annual cadence thereafter, will review and update, as needed, written policies and procedures with respect


to its AML compliance program, including, but not limited to, red flags and filing SARs. The Plan also provides that the Firm will annually review its training materials and conduct training for all of its relevant FINRA registered persons. To demonstrate its compliance, the Firm will document its reviews and required updates, segregating the documentation for FINRA staff. Lastly, if the Firm chooses to engage in the business of accepting customer deposits of securities that are considered penny stocks and then liquidating those securities, it must notify FINRA before engaging in that business.

Following the approval of the Firm's continued membership in FINRA, FINRA intends to utilize its examination and surveillance processes to monitor the Firm's continued compliance with the standards prescribed by Exchange Act Rule 19h-1 and FINRA Rule 9523.

Thus, FINRA is satisfied, based on the foregoing and on the Firm's representations made pursuant to the Supervision Plan, that the Firm's continued membership in FINRA is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. Accordingly, FINRA approves Cambria's Application to continue its membership with FINRA.

In conformity with the provisions of Rule 19h-1 of the Exchange Act, the continued membership of the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the SEC.

On Behalf of FINRA,



Marcia E. Asquith
Executive Vice President & Corporate Secretary

EXHIBITS
SD-2355

1. MC-400A Application and related attachments compiled by CRED, with a cover memorandum dated March 20, 2023.
2. SEC Order, *In re Cambria Capital LLC*, Admin. Proc. No. 3-21319 (March 2, 2023).
3. FINRA Discovery Request dated May 9, 2023 and the Firm's Document Submission in Response to the Discovery Request.
4. Firm Correspondence dated August 3, 2023.
5. CRD Firm Snapshot.
6. CRD Excerpts: Types of Business and Other Business Descriptions.
7. Disposition Letter for Examination No. 20220734185 dated January 20, 2023, Examination Report dated December 12, 2022, and Firm Response dated January 13, 2023.
8. Disposition Letter for Examination No. 20210711424 dated October 20, 2021, and Firm Response dated June 10, 2021.
9. Executed Consent to Plan of Heightened Supervision dated September 20, 2023.