UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 97020 / March 2, 2023

INVESTMENT ADVISERS ACT OF 1940
Release No. 6253 / March 2, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21319

In the Matter of **CAMBRIA CAPITAL, LLC** **Respondent.**	**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**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Section 203(e) of the Investment Advisers Act of 1940 ("Advisers Act") against Cambria Capital, LLC ("Cambria" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer"), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-And-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Section 203(e) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

Summary

1. From at least March 2017 through May 2019 (the "Relevant Period"), Respondent, a dually registered investment adviser and broker-dealer, failed to file Suspicious Activity Reports ("SARs") with the U.S. Treasury Department's Financial Crimes Enforcement Network ("FinCEN") when it knew, suspected, or had reason to suspect that the transactions facilitated fraudulent activity or had no legitimate business basis or apparent lawful purpose. During the Relevant Period, Cambria ignored numerous red flags listed in its anti-money laundering ("AML") policies, which were contained within its Written Supervisory Procedures ("WSPs"). Cambria also failed to properly investigate certain suspicious conduct, failed to investigate certain red flags, and ultimately failed to file SARs when required.

2. During the Relevant Period, Cambria was a broker-dealer that specialized in helping its customers liquidate microcap[1] securities. Numerous transactions by Cambria customers raised "red flags" that indicated customers may have been involved in suspicious activities. Most of these suspicious activities were associated with the liquidation of microcap securities, including the deposit of physical certificates, the liquidation of large quantities of these securities, and the immediate wire out of funds from customer accounts. In addition, in many of these transactions, the pattern of liquidations often occurred in combination with other red flags noted in Cambria's policies and procedures, such as unusually large deposits, suspicious wire activity, or multiple accounts simultaneously trading in the same microcap security. Cambria failed to investigate its customers' suspicious trading and similarly failed to file SARs for many of the transactions even though Cambria's WSPs identified such activity as risk indicators (red flags) of suspicious activity, and required further investigation for the possible filing of a SAR. During the Relevant Period, notwithstanding Cambria's business focus on the liquidation of microcap securities and the existence of numerous red flags, Cambria has no record of investigating any suspicious activity and filed only two SARs.

3. By failing to file SARs as required, Cambria willfully violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

Respondent

4. Cambria Capital, LLC is organized in Utah as a limited liability company, with its principal place of business in Salt Lake City, Utah. It has been registered with the Commission as a broker-dealer since May 2005. Cambria was registered with the Commission as an investment

[1] The term microcap securities applies to companies with low or "micro" capitalizations, meaning the total value of the company's stock. *See* Microcap Stock: A Guide For Investors (Sept. 18, 2013), https://www.sec.gov/reportspubs/investor-publications/investorpubsmicrocapstockhtm.html. The securities at issue here are those microcap securities that trade for under five dollars per share. *See* Exchange Act Section 3(a)(51) and Rule 3a51-1 thereunder.

adviser until December 31, 2019, when it withdrew from SEC registration after completing its switch to state investment adviser registration, and it is currently a state-registered investment adviser. Cambria settled a disciplinary matter with the Financial Industry Regulatory Authority ("FINRA") in 2008 that involved, among other things, the failure to file SARs in connection with questionable securities activities in customer accounts. (Case No. 2007007402901.) During the Relevant Period, Cambria specialized in facilitating the sale of large volumes of often thinly-traded microcap stocks and made between approximately 50 and 70 percent of its revenue from microcap transactions. According to its most recently filed Form ADV, Cambria has 163 clients and $13.2 million in regulatory assets under management.

Background

A. The Bank Secrecy Act

5. The Bank Secrecy Act ("BSA"), and implementing regulations promulgated by FinCEN, require that broker-dealers file SARs with FinCEN to report a transaction (or a pattern of transactions of which the transaction is a part) conducted or attempted by, at, or through the broker-dealer involving or aggregating to at least $5,000 that the broker dealer knows, suspects, or has reason to suspect: (1) involves funds derived from illegal activity or is conducted to disguise funds derived from illegal activities; (2) is designed to evade any requirement of the BSA; (3) has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the broker-dealer knows of no reasonable explanation of the transaction after examining the available facts, including the background and possible purpose of the transaction; or (4) involves use of the broker-dealer to facilitate criminal activity. 31 C.F.R. § 1023.320(a)(2) ("SAR Rule"). Broker-dealers are required to file the SAR 30 calendar days after the date of the initial detection of facts that may constitute a basis for filing a SAR under the SAR Rule. 31 C.F.R. § 1023.320(b)(3). In cases where the broker-dealer cannot identify a suspect, it must file the SAR within 60 days of the initial detection of facts that may constitute a basis for filing a SAR. *Id.*

6. Exchange Act Rule 17a-8 requires broker-dealers registered with the Commission to comply with the reporting, recordkeeping, and record retention requirements of Chapter X of title 31 of the Code of Federal Regulation. The failure to file a SAR as required by the SAR Rule is a violation of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder. *See SEC v. Alpine Sec. Corp.*, 308 F. Supp. 3d 775, 798-800 (S.D.N.Y. 2018), aff'd 982 F.3d 68 (2d Cir. 2020), cert. denied, *Alpine Sec. Corp. v. SEC,* 142 S. Ct. 461 (2021).

B. Cambria's AML Compliance Department and Program

7. During the Relevant Period, Cambria's WSPs stated that Cambria will file SARs "for transactions that may be indicative of money laundering activity." The WSPs acknowledge that, "[s]uspicious activities include a wide range of questionable activities" and provide numerous examples, including "heavy trading in low-priced securities." Cambria's AML policies and procedures specifically identify various "risk indicators (red flags) that may suggest potential

money laundering" and other fraudulent activities. These specific AML red flags, many of which are also described as red flags in industry notices issued by FINRA,[2] include the following:

- The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.

- The customer engages in suspicious activity involving the practice of depositing penny stocks, liquidates them, and wires proceeds. A request to liquidate shares may also represent engaging in an unregistered distribution of penny stocks which may also be a red flag.

- Customer transactions include a pattern of receiving stock in physical form or the incoming transfer of shares, selling the position and wiring out the proceeds.

- Two or more accounts trade an illiquid stock suddenly and simultaneously.

- The customer's account has unexplained or sudden extensive wire activity.

- The customer's account indicates large or frequent wire transfers, immediately withdrawn by check or debit card without any apparent business purpose.

Cambria's WSPs specifically address additional red flags with transactions involving penny stocks, including where the issuer:

- has no business, no revenues and no product;

- has experienced frequent or continuous changes in its business structure;

- undergoes frequent material changes in business strategy or its line of business; and

- has not made disclosures in SEC or other regulatory filings or has been the subject of a prior trading suspension.

8. Cambria's AML process involved vetting deposits by requiring customers to submit a deposit packet that provided information on the origin of the shares, whether the shares were registered or an exemption to registration existed, any additional shares owned or controlled by the customer, and other information to establish the shares as freely tradeable. Once Cambria is made aware of a red flag, Cambria's WSPs require additional research to determine whether Cambria should file a SAR.

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[2] *See also* FINRA Reg. Notice 19-18, https://www.finra.org/rules-guidance/notices/19-18; https://www.finra.org/rules-guidance/key-topics/aml/faq.

Facts

A. Cambria Failed to Investigate Red Flags.

9. Throughout the Relevant Period, Cambria became aware of or should have become aware of hundreds of red flags, as defined by its own WSPs. Yet Cambria only filed SARs in two instances.

10. For example, Cambria customers routinely engaged in patterns of heavy trading, unusual wires, unusually large volume deposits or trades, and the quick deposit and subsequent liquidation of microcap securities and immediately wiring out the proceeds. Despite Cambria's WSPs identifying this conduct as being a "red flag" and possibly "suspicious," Cambria did not investigate, or where necessary, file SARs concerning its customers' transactions that followed those patterns.

11. Cambria also failed to investigate numerous red flags identified by Cambria's WSPs related to opening customer accounts, including illegible or expired proof of identification from customers whom they did not meet, and who occasionally were from foreign countries that are at higher risk for money laundering.[3] Cambria also failed to investigate other red flags that might indicate suspicious conduct, including that certain customers provided inconsistent addresses, including addresses that corresponded to a dirt lot, a FedEx/UPS location, or a strip mall that did not have office space.

12. Similarly, Cambria, without taking any steps to investigate or analyze the conduct or the entity or person engaging in the conduct, routinely processed transactions for customers selling securities in microcap issuers that (a) had little to no revenue, (b) changed their name or business model several times, (c) had no physical office or business operations, and/or (d) had a late or delinquent filing history with the Commission – all enumerated as red flags of suspicious activities in Cambria's WSPs.

13. Finally, Cambria failed to properly investigate red flags concerning unexplained or sudden extensive wire activity as required by its WSPs, often failing to investigate red flags at all. For example, money movement reports identified numerous instances of many small wires in a short time period for no apparent business reason. Additionally, money movement reports showed numerous instances of several early smaller wires, followed by larger and larger ones until the account was closed. Similarly, Cambria failed to properly investigate what appeared to be coordinated liquidations of the same microcap security across several customer accounts, as required by the firm's WSPs.

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[3] Several of these countries are listed on the U.S. Department of State's website as jurisdictions at high risk of money laundering, including Hong Kong, Malaysia, and Taiwan. *See* Major Money Laundering Countries (state.gov), https://2009-2017.state.gov/j/inl/rls/nrcrpt/2003/vol2/html/29929.htm.

B. Cambria Failed to File SARs.

14. Throughout the Relevant Period, Cambria failed to report certain suspicious activity that Cambria knew, suspected, or had reason to suspect was indicative of illegal activity. Accordingly, Cambria failed to file SARs when the firm was required to do so.

15. For instance, Cambria submitted a deposit for Customer 1 to its clearing broker on May 1, 2018, of 36 million shares of a microcap issuer valued at less than $0.01 per share. This deposit was 3,080% of the 30-day trading average for that issuer. Cambria's clearing broker sent Cambria an email highlighting numerous red flags and raising AML and other concerns about the customer's identity, how he came to own the shares, and the issuer. Cambria provided the clearing broker with the customer's responses to those concerns and the deposit was ultimately processed. By June 6, 2018 – less than 30 days after the deposit was accepted – the customer liquidated the shares and wired the sales proceeds totaling $75,000 out of the account. In June 2018, Cambria accepted two additional deposits from Customer 1 of shares of the same microcap issuer. The deposits were of 37 million and 32 million shares, which represented 931% and 438% of the 30-day trading average, respectively. Within weeks of each deposit, the customer sold the shares and wired the proceeds totaling $120,000 out of the account. Customer 1 attempted to deposit an additional 585,000 shares of the same microcap issuer in August 2018. After initially approving the deposit, Cambria's clearing broker informed Cambria that it could not accept the deposit because the issuer was delinquent in its 10-Q filing and was participating in promotional activity concerning the security the customer was attempting to deposit, which Cambria acknowledged in internal emails were red flags of suspicious activity. Cambria eventually rescinded approval for the deposit. Given the red flags that ultimately led Cambria to reject Customer 1's deposit in August 2018, Cambria had reason to suspect illegal activity, and thus, was required to file a SAR, but failed to do so.

16. Similarly, Cambria opened an account for Customer 2 in June 2017 even though Cambria was aware of numerous red flags as identified in its WSPs as a result of routine searches performed by an employee as part of the account opening process, including that a principal of Customer 2 had been previously sued for fraud by an investor. Customer 2 deposited 500,000 shares of a microcap stock trading at less than $0.01 per share in June 2017. That deposit represented 625,000% of the 30-day trading volume. Between December 2017 and February 2018, Customer 2 made three additional deposits totaling 1.5 million shares. Each deposit was hundreds of percent of the 30-day trading volume. Customer 2 began liquidating its position and within 30 days of each sale wired most of the proceeds out of the account. Moreover, the account included extensive and unexplained wires that were small at first – three wires in November 2017 that were less than $10,000 each, and gradually increased over time until they were six figures each. Cambria's WSPs note that large deposits, quick liquidation of microcap securities, and unusual wire patterns are all red flags of suspicious activity. Despite having reason to suspect illegal activity as a result of these red flags, which required Cambria to file a SAR, it did not do so.

17. In another example, Cambria failed to file a SAR related to numerous red flags it encountered related to Customer 3. In February 2018, Cambria opened an account for Customer 3 that identified Customer 3's business address as being in a strip mall with retail stores that had no traditional office space. Customer 3's principal provided Cambria with an expired driver's license

and other questionable or illegible forms of identification. One such form of identification was a partial bank statement that listed an address that corresponded with a dirt lot that had a mail box on it. Shortly after opening its account, Customer 3 deposited 1 million shares of a microcap stock trading at less than $0.01 per share. The deposit represented 4,116% of the 30-day trading average of that stock. Customer 3 noted in account opening documents that it was engaged in the "regular business" of "buying and selling stock for [its] own account." Customer 3 liquidated its position and wired out the sales proceeds of more than $13,000 over the next few months. There is no evidence Cambria investigated the numerous red flags associated with Customer 3, such as the unusually large deposit and quick liquidation of securities of a questionable issuer. Despite having reason to suspect illegal activity as a result of these red flags, which required Cambria to file a SAR, it did not do so.

18. By engaging in the conduct described above, Cambria willfully violated Section 17(a) of the Exchange act and Rule 17a-8 thereunder.

Undertakings

Respondent has undertaken to:

A. Within 30 days from the issuance of this Order, at its own cost, hire an independent AML Compliance Consultant, not unacceptable to the Commission staff, to conduct a comprehensive review of Respondent's AML compliance program and the implementation and effectiveness of Respondent's AML policies and procedures. The Respondent shall require the Compliance Consultant to submit to the Commission's staff a written report (the "Report") on the 90th day from the issuance of this Order describing the review it performed, the names of the individuals who performed the review, the conclusions reached, and the Compliance Consultant's recommendations for changes in or improvements to Respondent's AML program.

B. Respondent shall adopt all recommendations contained in the Report within one hundred fifty (150) days of the issuance of this Order; provided, that within one hundred and twenty (120) days after the date of the Order's issuance, Respondent shall in writing advise the Compliance Consultant and the Commission staff of any recommendation that Respondent considers to be unduly burdensome, impractical, or inappropriate. With respect to any recommendation that Respondent considers unduly burdensome, impractical, or inappropriate, Respondent need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure, or system designed to achieve the same objective or purpose.

C. As to any recommendation with respect to Respondent's policies and procedures on which Respondent and the Compliance Consultant do not agree, Respondent and the Compliance Consultant shall attempt in good faith to reach an agreement within one hundred and fifty (150) days after the date the Order is issued. Within fifteen (15) days after the conclusion of the discussion and evaluation by Respondent and the Compliance Consultant, Respondent shall require that the Compliance Consultant inform Respondent and the Commission staff in writing of the Compliance Consultant's final determination concerning any recommendation that Respondent considers to be unduly burdensome, impractical, or inappropriate. Respondent shall abide by the

determinations of the Compliance Consultant and, within thirty (30) days after final agreement between Respondent and the Compliance Consultant or final determination of the Compliance Consultant, whichever occurs first, Respondent shall adopt and implement all of the recommendations that the Compliance Consultant deems appropriate.

D. Within thirty (30) days of Respondent's adoption of all of the recommendations in the Report that the Compliance Consultant deems appropriate, as determined pursuant to the procedures set forth herein, certify in writing to the Compliance Consultant and the Commission staff that Respondent has adopted and implemented all of the Compliance Consultant's recommendations in the Report. Thereafter, beginning two hundred forty days (240) after the entry of the Order, the Compliance Consultant shall conduct such review as it deems appropriate to verify that Respondent has appropriately implemented the recommendations in the Report. Unless otherwise directed by the Commission staff, all Reports, certifications, and other documents required to be provided to the Commission staff shall be sent to Mary S. Brady, Assistant Regional Director, Denver Regional Office, 1961 Stout Street, Ste. 1700, Denver, CO 80294.

E. Cooperate fully with the Compliance Consultant and provide the Compliance Consultant with access to such files, books, records, and personnel as are reasonably requested by the Compliance Consultant for review.

F. To ensure the independence of the Compliance Consultant for the remainder of the engagement: (1) not have the authority to terminate the Compliance Consultant or substitute another compliance consultant for the Compliance Consultant without the prior written approval of the Commission staff; and (2) compensate the Compliance Consultant and persons engaged to assist the Compliance Consultant for services rendered pursuant to this Order at their reasonable and customary rates.

G. Require the Compliance Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, not to (i) retain the Compliance Consultant for any other professional services outside of the services described in this Order; (ii) enter into any other professional relationship with the Compliance Consultant, including any employment, consultant, attorney-client, auditing or other professional relationship; or (iii) enter, without prior written consent of the Commission staff, into any such professional relationship with any of the Compliance Consultant's present or former affiliates, employers, directors, officers, employees, or agents acting in their capacity as such. The agreement will also provide that the Compliance Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Compliance Consultant in performance of his/her duties under this Order shall not, without prior written consent of the Commission staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

H. Preserve for a period of not less than six years from the end of the fiscal year last used, the first two years in an easily accessible place, any record of its compliance with the undertakings set forth herein.

I. Certify, in writing, compliance with its undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting materials shall be submitted to Mary S. Brady, Assistant Regional Director, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

J. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

K. The reports by the Compliance Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (4) is otherwise required by law.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 203(e) of the Advisers Act, it is hereby ORDERED that:

A. Respondent cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-8 promulgated thereunder.

B. Respondent is censured.

C. Respondent shall pay a civil penalty of $100,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3).

Payment shall be made in the following installments:

(1) $25,000 within the 14 days of the entry of this order;

(2) four quarterly payments of $18,750 to be paid on or before the first of each quarter thereafter.

Payments shall be applied first to post order interest, which accrues pursuant to 31 U.S.C. § 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Cambria as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Jason J. Burt, Division of Enforcement, Securities and Exchange Commission, 1961 Stout Street, Ste. 1700, Denver, CO 80294.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty

imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

E. Respondent shall comply with the undertakings enumerated in Section III above.

By the Commission.

Vanessa A. Countryman
Secretary