

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020068885402**

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

RE: Cambridge International Securities, LLC (Respondent)
Member Firm
CRD No. 39137

Pursuant to FINRA Rule 9216, Respondent Cambridge International Securities, LLC 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

Cambridge has been a FINRA member since 1995. It has approximately 20 registered representatives and one registered branch office in Westport, Connecticut. Cambridge's business is primarily in fixed income securities servicing institutional clients.¹

OVERVIEW

From September 2018 to the present, Cambridge failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA rules applicable to foreign associates, in violation of FINRA Rules 3110 and 2010. From September 2018 to July 2023, Cambridge failed to preserve and maintain all business-related electronic communications sent or received by a registered representative through a personal email address, in violation of Section 17(a) of the Securities Exchange Act of 1934, Exchange Act Rule 17a-4(b)(4), and FINRA Rules 4511 and 2010. And, from September 2020 to August 2022, Cambridge improperly permitted a foreign associate to engage in securities activities with and for persons in the United States, in violation of FINRA Rules 1210 and 2010.

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

FACTS AND VIOLATIVE CONDUCT

This matter originated from two tips made to FINRA.

1. Cambridge failed to establish, maintain, and enforce a supervisory system reasonably designed to supervise foreign associates.

FINRA Rule 3110(a) requires each member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rule 3110(b) requires a member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. The duty to supervise includes the responsibility to investigate red flags that suggest that misconduct may be occurring and to act upon the results of such investigation.

A violation of FINRA Rule 3110 constitutes a violation of FINRA Rule 2010, which requires a member, in the conduct of its business, to observe high standards of commercial honor and just and equitable principles of trade.

Cambridge's obligations under FINRA Rule 3110 include the obligation to supervise the activities of its foreign associates in order to comply with FINRA Rule 1210. That rule requires all persons engaged in the "securities business of a member" to be registered with FINRA "in each category of registration appropriate to his or her functions and responsibilities."² FINRA Rule 1220, Supplementary Material .06(b)(1)-(3), provides that foreign associates (FAs) shall (1) "not be citizens, nationals, or residents of the United States"; (2) "not engage in any securities activities with or for any citizen, national or resident of the United States"; and (3) "conduct all of their securities activities in areas outside the jurisdiction of the United States."³

At various times between September 2018 and the present, Cambridge has had three associated persons registered as FAs with FINRA. The FAs had no other registrations.

During this period, Cambridge's system to supervise FAs was not reasonably designed to achieve compliance with federal securities laws and applicable FINRA rules in three respects. First, Cambridge's written supervisory procedures lacked reasonable guidance to supervisors on how to assess whether FAs' securities activities exceeded the bounds of their registration pursuant to FINRA Rule 1210, including for example, the geographical location of their customers and counterparties. Cambridge did not reasonably monitor the FAs' securities activities to assess the location of their customers and counterparties. For example, the firm reviewed securities transaction data for two FAs, but that data omitted the geographic location of counterparties. The firm had ad hoc oral communications with a third FA about his securities activities, but did not consistently address the geographic location of parties with whom the FA engaged in securities activities.

² FINRA Rule 1210 superseded NASD Rule 1031 effective October 1, 2018, before the registration violations at issue here.

³ FINRA eliminated the registration category of foreign associate in October 2018, but grandfathered past registrants. See FINRA Rule 1220.06, FINRA Regulatory Notice 17-30 (Oct. 1, 2018).

Second, the firm did not consistently require FAs to complete annual compliance certifications, outside business activity disclosure forms, or written disclosure of private securities transactions, even though its written supervisory procedures required all registered representatives to do so.

Third, Cambridge failed to reasonably respond to red flags in emails that one of its FAs was facilitating securities transactions with other broker-dealers and for investors in the United States.

Therefore, Respondent violated FINRA Rules 3110 and 2010.

2. Cambridge failed to maintain and preserve electronic communications.

FINRA Rule 4511 requires FINRA member firms to “make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.” Pursuant to Section 17(a) of the Exchange Act and Exchange Act Rule 17a-4(b)(4), a member firm is required to “preserve for a period of not less than three years, the first two years in an easily accessible place. . . [o]riginals of all communications received and copies of all communications sent . . . by the member...(including inter-office memoranda and communications) relating to their business as such.” A violation of Section 17(a) of the Exchange Act, Exchange Act Rule 17a-4, and FINRA Rule 4511 is also a violation of FINRA Rule 2010.

Cambridge allowed an FA to use an outside email account to conduct firm business from September 2018 to July 2023, when the firm terminated the FA’s registration. Cambridge did not assign the FA a firm email address or require that all of his communications regarding firm business be retained by the firm. The FA used his personal email account for business-related communications, including communications with potential securities customers and other broker-dealers. The communications pertained to, among other things, stock purchase agreements, prospectuses, term sheets, and negotiations of sales terms and fees. The firm was aware that the FA was using a personal email account for business-related communications during this period, as the FA copied firm principals on some but not all such communications. As a result, the firm failed to preserve certain of these communications.

Therefore, Respondent violated Section 17(a) of the Exchange Act, Exchange Act Rule 17a-4, and FINRA Rules 4511 and 2010.

3. Cambridge improperly permitted an FA to engage in securities activities in the United States.

As discussed above, under FINRA Rules 1210 and 1220, FAs are not permitted to engage in any securities activities with or for any citizen, national, or resident of the United States and are further required to conduct all of their securities activities in areas outside the jurisdiction of the United States. A violation of FINRA Rule 1210 also constitutes a violation of FINRA Rule 2010.

From at least September 2020 to August 2022, Cambridge improperly permitted one of its FAs to engage in securities activities with and for persons in the United States, when he did not have the required registration to do so. The FA’s activities included discussing securities transactions and exchanging related paperwork with investors and broker-dealers located in the United States. In September 2020, the firm and the FA earned a

commission by facilitating a private secondary securities transaction between two institutional investors located in the United States. The FA helped to introduce and exchange documents and information between the investors, through two other broker-dealers also located in the United States. When Cambridge became aware of the FA's activities with and for persons located in the United States, in September 2020, the firm failed to restrict his activities, register him in the appropriate capacity, or otherwise reasonably respond. In a later instance, between June and August of 2022, the FA, through two other broker-dealers, introduced an institutional seller of certain private company shares to an institutional investor and exchanged documents and information between the parties, through the other broker-dealers. All of the parties except the FA were located in the United States. In July 2022, the investor wired \$2.5 million to an escrow agent to buy the shares before learning, through a different firm, that the seller did not own the shares. The investor's funds were returned. In July 2023, the firm terminated the FA's registration.

Therefore, Respondent violated FINRA Rules 1210 and 2010.

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

- a censure;
- a \$200,000 fine; and
- An undertaking that, within 90 days of the date of the notice of acceptance of this AWC, a member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA Rule 3110 regarding the issues identified in this AWC. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Lorraine Page, Senior Paralegal, at Lorraine.Page@finra.org and 9509 Key West Ave, Rockville, MD 20850, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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 sanction imposed in this matter.

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 it;
- 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 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 it 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that 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 Respondent to submit this AWC.

September 28, 2024

Date



Cambridge International Securities, LLC
Respondent

Print Name: WILLIAM WEBER _____

Title: President _____

Reviewed by:

Ellen Sheridan-Cona

Ellen Sheridan-Cona
Counsel for Respondent
Eversheds Sutherland (US) LLP
1114 6th Ave
New York, NY 10036

Accepted by FINRA:

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

September 30, 2024

Date

John-Michael Seibler

John-Michael Q. Seibler
Principal Counsel
FINRA
Department of Enforcement
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Rockville, MD 20850