

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2019062274901**

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

RE: Brian Coburn (Respondent)  
Former Investment Banking Representative  
CRD No. 6379877

Alexander Blau (Respondent)  
Investment Banking Representative  
CRD No. 6682623

Pursuant to FINRA Rule 9216, Respondents Brian Coburn and Alexander Blau submit 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 Respondents alleging violations based on the same factual findings described in this AWC.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Respondents hereby accept and consent, 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**

Coburn entered the securities industry in August 2014, and was registered with FINRA as an Investment Banking Representative through an association with FTP Securities LLC (FTP) from November 2014 through May 2019. Although Coburn is not currently registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction pursuant to Article V, Section 4(a) of FINRA's By-Laws. Coburn does not have any disciplinary history.

Blau entered the securities industry in July 2016, and became registered with FINRA as an Investment Banking Representative through an association with FTP in May 2017. Given his current registration, Blau is subject to FINRA's jurisdiction. Blau does not have any disciplinary history.

## **OVERVIEW**

Between February 2018 and March 2019, Coburn and Blau engaged in two undisclosed outside business activities and opened a securities account away from their firm without obtaining prior written consent from FTP in violation of FINRA Rules 3270, 3210 and 2010.

## **FACTS AND VIOLATIVE CONDUCT**

This matter originated with a referral from FINRA's Office of the Whistleblower.

FINRA Rule 3270 prohibits registered persons from being an employee, independent contractor, sole proprietor, officer, director or partner of another person, or being compensated or having a reasonable expectation of compensation from any other person, as a result of any business activity outside the scope of the relationship with his member firm, unless he has provided prior written notice to the member. FINRA Rule 3210(a) prohibits associated persons from opening at another financial institution any securities account in which the associated person has a beneficial interest, without first obtaining the prior written consent of the member firm. A violation of FINRA Rules 3270 and 3210 is also a violation of FINRA Rule 2010, which requires associated persons in the conduct of their business to observe high standards of commercial honor and just and equitable principles of trade.

During 2018, Coburn and Blau were junior investment bankers at FTP when they and a third partner, who was not associated with a member firm, began planning to combine their own personal funds into a pooled investment vehicle to engage in algorithmic trading. To do so, they formed Differential Capital Management LLC (DCM). Over the next several months, Coburn and Blau took steps in furtherance of DCM's planned trading business. They formed DCM as a legal entity and made themselves members of the LLC. They executed an operating agreement giving them broad powers to conduct DCM's business. Coburn and Blau also corresponded with several law firms, at times using DCM email addresses they had created, seeking legal representation for DCM's activities. Coburn drafted a presentation describing DCM's anticipated trading that he and Blau provided to potential first loss capital providers that would provide support to enable DCM to trade. Thereafter, Coburn, on behalf of DCM, signed an agreement with an investment advisor who agreed to provide first loss capital funding to DCM as leverage for DCM's trades.

Before DCM was funded or transacted in any securities, Coburn and Blau got into a dispute with their partner, and they dissolved DCM in February 2019. In March 2019, Coburn and Blau and their new partner, who also was not associated with a member firm, formed Societas Management Partners, LLC (SMP), which would engage in the same type of trading activity as originally contemplated for DCM. SMP's operating agreement gave Coburn and Blau broad powers to conduct the company's business. Coburn and Blau were the only members of SMP's board of directors, and Blau served as president, secretary, and treasurer. Coburn and Blau also created SMP email addresses, through

which they conducted their business activities. Just like with DCM, Coburn signed a first loss capital agreement on behalf of SMP to provide leverage for its trades.

Coburn and Blau also opened a securities account for SMP at an investment advisor in March 2019. At that time, Coburn had provided FTP notice of his resignation, but his association with FTP had not yet terminated. Coburn and Blau funded the account with their own personal funds, with each of them contributing \$150,000. Coburn and Blau never sought consent from FTP to open the account. Although the account was open, no trades were transacted until after the termination of Coburn's association with FTP. Over the next year, SMP made more than 700 trades, first primarily in individual large cap equities, before switching to ETFs.

FINRA rules required Coburn and Blau to obtain approval from FTP prior to engaging in their outside business activities and opening an external securities account. Coburn and Blau did not disclose either to FTP. Blau did not disclose his outside business activities to FTP until July 2019, when FTP's Chief Compliance Officer questioned him after receiving a FINRA inquiry. Blau disclosed SMP's securities account for the first time and stated he would end his involvement with SMP. However, the SMP securities account remained opened, and was actively trading ETFs until mid-March 2020.

Therefore, Coburn and Blau violated FINRA Rules 3270, 3210, and 2010.

B. Respondents also consent to the imposition of the following sanctions:

- a three-month suspension for each Respondent from associating with any FINRA member in all capacities; and
- a \$5,000 fine each.

Respondents understand that if they are barred or suspended from associating with any FINRA member, they 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. Accordingly, Coburn and Blau 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.

Respondents specifically and voluntarily waive 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.

Coburn's 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.

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

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

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against them;
- 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, Respondents specifically and voluntarily waive 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.

Respondents further specifically and voluntarily waive 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**

Respondents understand 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 Respondents; and
- C. If accepted:
1. This AWC will become part of Respondents' permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondents;
  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. Respondents 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. Respondents 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 Respondents' testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondents may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understands that they 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.

Respondents certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; Respondents have 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 them to submit this AWC.

April 6, 2021

Date

*Brian Coburn*

Brian Coburn  
Respondent

April 7, 2021

Date

*Alexander Blau*

Alexander Blau  
Respondent

Reviewed by:

Howard Rosenberg

Howard J. Rosenberg  
Counsel for Respondents  
Kopecky, Schumacher, Rosenberg LLC  
120 N. LaSalle Street, Suite 2000  
Chicago, Illinois, 60602

Accepted by FINRA:

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

April 9, 2021

Date

Kevin Pogue

Kevin E. Pogue  
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FINRA Department of Enforcement  
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