

**MEMORANDUM**

TO: File No. S7-02-10  
File No. S7-27-09  
File Regarding: Prohibitions on Proprietary Trading and Certain Relationships  
with Hedge Funds and Private Equity Funds:  
Title VI Provisions of the Dodd-Frank Wall Street Reform and Consumer  
Protection Act

FROM: Alicia F. Goldin  
Office of Commissioner Elisse B. Walter

DATE: December 21, 2010

On November 17, 2010, Alicia F. Goldin, Counsel to Commissioner Walter, met with the following representatives of BNY ConvergeX:

Lee Schneider, General Counsel, BNY ConvergeX Group

Joe Cangemi, Managing Director and Head of Equity Sales and Trading for  
ConvergeX Group's Global Electronic Trading unit.

Joseph Virgilio, Managing Director and head of the Strategy Technology  
Planning Group at ConvergeX Execution Solutions

David Schmueck, Chief Regulatory Officer of ConvergeX Group's LiquidPoint  
options trading subsidiary

Praveen Garg, Managing Director, BNY ConvergeX Group, LLC

Laura Pruitt, Schiff Hardin LLP (outside counsel to ConvergeX)

The discussion included, among other things, issues pertaining to the Commission's Concept Release on Equity Market Structure, the Commission's Proposal regarding Regulation of Non-Public Trading Interest, and Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The attached agenda and biographies were provided in advance of the meeting.

**BNY ConvergeX**  
**Proposed Agenda for SEC meetings**

1. Status of dark pool proposal
2. Recent counter-intuitive developments in the options markets
  - a. Trading & Markets staff requiring options systems to register as an ATS
  - b. New option market rules that allow internalization and reduce transparency
3. Impact of May 6 and the flash crash report
  - a. Different market structures for equities versus options led to differences in the way each market functioned
  - b. Limit up/limit down
  - c. Possible regulatory responses (e.g., rules designed to enhance transparency in both equities and options or limit the number of cancels or IOCs)
  - d. Responsibility for problematic algos
4. Market access rule
  - a. Why was allocation permitted for regulatory risk management, but not financial risk management?
  - b. If allocation to another broker-dealer is permissible, what does it mean to say that the sponsoring broker “retain[s] ultimate responsibility for trading activity that occurs by virtue of its MPID”?
  - c. With respect to omnibus relationships with another broker-dealer, are the financial and regulatory risk management controls done on the consolidated relationship?
  - d. Issues raised by Ketchum’s speech about testing customer algos
5. Status of proposed rule on options access fee
  - a. Fees distort quotes and make quotes less useful
6. Volcker Rule and the definition of principal trading
  - a. Expected date of rule proposal?
  - b. Ideas about how principal trading should be defined



## **Joseph N. Cangemi**

Joseph N. Cangemi is a Managing Director and Head of Equity Sales and Trading for ConvergeEx Group's Global Electronic Trading unit. ConvergeEx offers advanced liquidity and execution management technologies in the US and around the world, all supported by a 24-hour Trading Solutions Desk.

Previously, Mr. Cangemi established and led the Reg NMS Task Force for ConvergeEx, which provided preparation for trading and customer support upon full implementation of all Reg NMS strategies. He has Chaired the Best Execution Committee. He currently participates as a member of the Best Execution Committee, New Business Committee and CRIP.

Mr. Cangemi co-founded BNY Direct Execution in 1983, formerly known as Francis P. Maglio & Co., Inc. He operated as Head Trader and Chief Operating Officer until the firm's acquisition by The Bank of New York in June 2002. He was responsible for the Bank's NYSE trading properties which included the Direct Execution Desk, a premier agency direct access desk. He is a past Governor of the NYSE Group and has served as either Chairman or Co-Chairman of numerous committees and subcommittees while serving the NYSE.

Mr. Cangemi is a Board Member and Vice Chairman of the Securities Traders Association, serving as Co-Chair of The Trading Issues Committee and Exchange Advisory Committee. On the affiliate level, he has served on the Board of STANY. He is a frequent speaker at various industry conferences and was a long time member of the SIFMA Equity Markets and Trading Committee. He is also a member of National Organization of Investment Professionals (NOIP).

Mr. Cangemi holds a bachelor's degree in Economics from the University of Rochester. He was the recipient of the Sons of Italy's Golden Lion Award in 2000.

He lives on Long Island with his family.



**Joseph Virgilio**  
**Managing Director**

Joseph Virgilio is a Managing Director and head of the Strategy and Technology Planning group at ConvergEx Execution Solutions, a leading institutional agency brokerage firm and member of ConvergEx Group. In this role, he is responsible for business analysis and project management for all trading and back office systems.

His group works with the various product managers and business unit heads as liaisons to the different technology groups within Convergex. Prior to joining ConvergEx, Mr. Virgilio owned and ran a software consulting firm that developed software supporting equity brokerage. He joined Convergex through an acquisition in 2000.

ConvergEx Group is a leading provider of investment and execution technology solutions to institutional clients worldwide. The firm specializes in providing a full array of leading technologies and an integrated platform of performance-driven, global trading capabilities, supported by a culture of extraordinary client service

With a broad global footprint, ConvergEx Group has locations throughout the U.S., Europe, Asia and Australia and provides services in over 100 markets.

**Lee A. Schneider**  
**General Counsel, BNY ConvergeX Group, LLC**



Lee Schneider is General Counsel of BNY ConvergeX Group, LLC. Mr. Schneider is responsible for all legal and compliance matters and manages a team of 20 lawyers, paralegals and compliance personnel.

Prior to the formation of BNY ConvergeX Group, he served as Managing Counsel, Securities and Capital Markets of The Bank of New York from 2005 through 2006. His previous experience at the Bank included Senior Counsel, Securities and Capital Markets and Lead in-house counsel for broker-dealers.

Previously he was an Associate with Solomon, Zauderer, Ellenhorn, Frischer & Sharp from 1996 through 1999 and Paul, Weiss, Rifkind, Wharton & Garrison from 1992 through 1996. He was also a law clerk for The Honorable Roger J. Miner, United States Court of Appeals for the Second Circuit from 1991 to 1992.

Mr. Schneider holds his A.B. in Economics from the University of Michigan and his J.D., summa cum laude, from American University Washington College of Law. He is a member of the New York State Bar.



**David Schmueck**  
**Director**  
**Chief Regulatory Officer**

David Schmueck is a Director and Chief Regulatory Officer of LiquidPoint, LLC, a member company of ConvergEx Group. In this role, he is responsible for researching and commenting upon regulatory issues for purposes of strategic planning and business development. Additionally, when unique business considerations dictate he promotes further review by the ConvergEx Legal and Compliance departments. David prepares comment letters on SEC matters for LiquidPoint, contributes to the ConvergEx Regulatory Interface Project team and has recently become a regular contributor to TabbForum.

Previously, Mr. Schmueck was Chief Compliance Officer for LiquidPoint and has 35 years of experience in the listed-option business – including functioning as both an agency broker and independent market-maker on the Chicago Board Options Exchange.

Since joining LiquidPoint in 2000, David has contributed to and edited option strategy books, consulted in the development of proprietary option routing and execution software and all other facets of developing the LiquidPoint business model and operations.

Mr. Schmueck holds a bachelor's degree in Economics from Loyola University Chicago and is Series 3, 4, 7, and 24 registered.



**Praveen Garg**  
**Managing Director**

Praveen Garg is a Managing Director and head technologist for ConvergeEx's Financial Engineering & Advanced Trading Solutions group. In this role, he is responsible for the development of global equity algorithms and the ConvergeEx Cross alternative trading system.

Prior to joining ConvergeEx, Mr. Garg worked at Fidelity Investment in the Capital Markets group developing equity trading algorithms.

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**Laura S. Pruitt**  
Partner  
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#### **Practice Areas**

Securities and Futures Regulation

#### **Education**

Columbia University Law School (J.D., 1987)

Moot Court Student Judge

Harvard University (A.B., Sociology, *magna cum laude*, 1984)

#### **Bar Admissions**

New York

District of Columbia

U.S. District Court

Eastern District New York

Southern District New York

U.S. Court of Appeals

District of Columbia

#### **Memberships**

Securities Industry Association

Compliance and Legal Division

New York State Bar Association

Securities Regulation Committee

American Bar Association

Section of Business Law

Choral Arts Society of Washington

Board Member

Harvard College Fund

Class of 1984, Reunion Gift Committee

#### **Awards**

BV Peer Review Rated, *Martindale-Hubbell*

#### **Biographical Information**

Laura S. Pruitt counsels broker-dealers, self-regulatory organizations, and other market participants, including alternative trading systems, banks, hedge funds and transfer agents, on securities law and market regulation issues, with particular emphasis on broker-dealer registration and compliance issues, trading rules, derivatives, investment adviser regulation, and transfer agent rules.

Ms. Pruitt also represents a variety of clients before the Securities and Exchange Commission (SEC) and self-regulating organizations (SROs) in connection with no-action, interpretive and exemptive requests, proposed rulemaking, regulatory examinations, and enforcement investigations. She has conducted independent audits of anti-money-laundering policies and procedures, and has conducted independent compliance reviews in connection with the settlement of several enforcement actions.

She joined Schiff Hardin from the SEC in Washington, D.C., where she served since 1994 as Senior Counsel in the Office of the General Counsel and then Special Counsel in the Division of Market Regulation (now the Division of Trading and Markets).



As Special Counsel in the Chief Counsel's Office in Market Regulation from 1998 to 2001, she focused on issues surrounding the distinctions between "finders" and broker-dealers, including the use of Internet portals, the SEC's penny stock rules, soft dollars, and over-the-counter (OTC) derivatives dealers. She also worked on projects concerning SRO arbitration rules and procedures, transfer agent regulation, and dividend reinvestment plan administration. While at the SEC, she was a frequent speaker on panels discussing broker-dealer registration and soft dollars issues.

As Senior Counsel in the General Counsel's Office at the SEC from 1996 through 1997, Ms. Pruitt worked on projects concerning both Commission enforcement actions (including insider trading) and rulemaking proposals, including those relating to Regulation S, Rule 144, shareholder proposals, accounting for derivatives, options disclosure documents, and the concept release regarding new approaches to the oversight of exchanges and other markets. From 1994 to 1996, she was a Senior Counsel in the General Litigation and Administrative Practice group of the General Counsel's Office, where she primarily represented the Commission and its employees in actions filed against them in federal courts, at both the district and appellate court levels, throughout the country.

Her recent publications include: "Brokers, Dealers and 'Finders,'" (Co-author) in *PLI Broker Dealer Regulation Treatise*, C. Kirsch, ed. (2008), and "Summary of Proposed Amendments to Regulation S-P Affecting Transfer Agents," *The STA Newsletter* (July 2008). She also has published articles on such diverse topics as Regulation NMS, changes to the SEC's proxy rules, internet portals, and the SEC's rulemaking pursuant to the Gramm-Leach-Bliley Act. She is a frequent speaker on industry conference panels.

Earlier in her legal career, from 1987 to 1994, Ms. Pruitt was a litigator with a New York City-based firm, where her primary areas of practice were complex securities litigation (including significant securities class action litigation and SEC enforcement matters), antitrust and unfair competition/trademark litigation.