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Office of the Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: Proposed Distribution Plan for G-Trade Services LLC, ConvergeX Global Markets Limited and ConvergeX Execution Solutions LLC (Admin. Proc. File No.315654)

Dear Ladies and Gentlemen:

Our firm is writing on behalf of Federated Investors, Inc. (“Federated”) regarding the Proposed Plan of Distribution (the “Proposed Plan”)¹ submitted by G-Trade Services LLC, ConvergeX Global Markets Limited, and ConvergeX Execution Solutions LLC (collectively, the “Respondents”) in compliance with the Commission’s Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order against Respondents, Admin. Proc. File No. 315654 (issued Dec. 18, 2013) (the “Order”).² The Proposed Plan relates to the distribution of a \$107,424,429 Fair Fund established by the Order to customers who were charged undisclosed mark-ups and mark-downs by Respondents in connection with securities trades between October 2, 2006, and December 31, 2011.

Federated’s comments on the Proposed Plan are consistent with the comments of Neuberger Berman LLC (“Neuberger”), in its letter to the Commission dated May 22, 2014,³ and of EII Capital Management, Inc., in its letter to the Commission dated June 2, 2014,⁴ regarding the treatment of investment advisers under the Proposed Plan. As was the case of these other commenters, Federated’s only relationship to Respondents was in its capacity as investment adviser to various clients, specifically, participants in the type of wrap fee programs (“Wrap Programs”) described in Neuberger’s comment letter. As such, Federated acted only as an investment adviser in the transactions subject to the Order, and did not pay any undisclosed mark-ups or mark-downs to Respondents.

Like the other commenters, Federated is concerned that the Proposed Plan would require Federated to administer the share of the Fair Fund payable to the clients for which it acted as investment adviser. The problem stems from the Proposed Plan’s definition of “customers” as “those entities that had a direct contractual account or trading relationship with one or more of the Respondents.” As

¹ The Proposed Plan may be found at <http://www.sec.gov/litigation/admin/2014/34-72146-ppd.pdf>. Unless otherwise defined, capitalized terms are used in this letter with the same definitions as when used in the Proposed Plan. The Commission requested comments on the Proposed Plan in a Notice of Proposed Plan of Distribution and Opportunity for Comment, Admin. Proc. File No. 315654 (issued May 9, 2014), <http://www.sec.gov/litigation/admin/2014/34-72146.pdf>.

² The Order is available at <http://www.sec.gov/litigation/admin/2013/34-71128.pdf>.

³ Available at <http://www.sec.gov/comments/3-15654/3-15654-1.pdf>

⁴ Available at <http://www.sec.gov/comments/3-15654/3-15654-2.pdf>.

participants in Wrap Programs traded through the program's agents, none of the participants had any direct relationship with the Respondents. Thus, the proposed definition would exclude, in the case of a Wrap Program, the investors injured by the misconduct covered by the Order. This would be contrary to other distribution plans the Commission has approved, which typically make distributions directly to investors who suffered losses due to the respondent's misconduct.

Federated has no obligations under its contracts or under law to administer such distributions from the Fair Fund, much less incur expenses that should be borne by Respondents under the terms of the Order. To avoid such unfair treatment of Federated and other intermediaries in these transactions, Federated recommends that the Commission require Respondents to adopt a distribution plan consistent with the plans of other Fair Funds. These plans required the respondents to employ a corporate fund administrator, at their expense, who administered payments directly to those injured by the respondents or to those broker-dealers or other intermediaries who chose to distribute such payments to their clients. Federated does not believe an exception to this process would be warranted in this case.

1. Federated Acted Solely as an Investment Adviser to Wrap Program Clients in the Transactions Subject to the Order

All of the trades executed by Federated during the relevant period were in its capacity as investment adviser for various Wrap Programs. A Wrap Program provides multiple financial services, including investment advice, brokerage, custody and record-keeping, to investors for an asset-based fee. Although different companies may provide these services, a single intermediary (the "Wrap Sponsor") organizes the Wrap Program, promotes the program and pays (or coordinates the payment of) the service providers from the Wrap Program fees. Some Wrap Sponsors offer their programs to independent broker-dealers or financial advisers ("underlying intermediaries"), who use the Wrap Program to manage their clients' accounts. This letter will use the term "clients" to refer to accountholders who beneficially own securities acquired through a Wrap Program. Clients are the investors who ultimately paid the undisclosed mark-ups and mark-downs to the Respondents.

Wrap Program clients do not maintain accounts with Federated. Although ordinarily Federated executes Wrap Program client trades through their Wrap Sponsor, in the case of these transactions, it was determined that the clients might obtain better execution by trading through Respondents. After arranging each trade with Respondents, Federated provided the Respondents with an allocation of the trade among participating Wrap Sponsors and the information necessary for Respondents to step-out the trade to these Wrap Sponsors. The participating Wrap Sponsors then cleared and settled their respective share of each trade, crediting the securities or cash proceeds of the transaction to the appropriate client accounts.

Federated thus had nothing to do with the payment or receipt of any money in connection with any of these trades, or the crediting or debiting of such moneys to clients' accounts. Federated has already provided Respondents with complete information regarding the Wrap Sponsors that cleared and settled each trade, so the Respondents could determine how much should be distributed to each Wrap Sponsor from the Fair Fund. There is no reason for Federated to become involved in the restitution of undisclosed mark-ups or mark-downs to these clients.

2. Federated Has No Obligation to Remit Fair Fund Distributions or to Maintain All Client Records Necessary to Remit a Fair Fund Distribution

Federated's obligations are limited to acting as a discretionary investment adviser with respect to the portfolios of clients allocated by the Wrap Sponsor to Federated. Federated acted in an adviser capacity when executing trades with Respondents, and did not have any financial interest in such trades. Once a trade was executed, Federated's responsibilities, in relevant part, were limited to providing the information necessary for the Respondents and Wrap Sponsors to clear and settle the trade.

Moreover, although Wrap Sponsors provide Federated with information regarding each underlying client for purposes of monitoring and managing their portfolios, this information does not always include names, mailing addresses or other contact information. The Wrap Sponsors maintain the primary customer relationship with the client. Clients participating in any Wrap Program communicate exclusively with or through the Wrap Sponsor or their underlying intermediary, who provide all confirmations and statements for their clients' transactions. When a Wrap Sponsor notifies Federated that a client has terminated an account, Federated does not know whether the client is leaving the Wrap Program or simply reallocating the portfolio to another investment adviser. Federated would not know where to contact clients who have terminated their Wrap Program accounts.

If Federated were treated as a "customer" under the Proposed Plan, it would receive client funds in contravention of Rule 206(4)-2 under the Investment Advisers Act of 1940. As any distribution payments will belong to clients of multiple Wrap Programs, Federated could not simply forward the entire payment to the clients' custodian. Instead, Federated would have to determine how to divide the payment among the Wrap Sponsors and remit their respective shares of the payment. The Wrap Sponsors would divide, in turn, their share of the payments among their clients, or in some cases among underlying intermediaries who would need to further divide and credit the payments to their clients.

The division of distribution payments from the Fair Fund among Wrap Program clients will be an onerous task. Federated estimates that 24 of its Wrap Sponsors and an additional 22 underlying intermediaries were involved in trades that may be subject to the Order. As noted above, the Wrap Sponsors provided Federated with certain information on each client account involved in a trade. Based on this information, Federated estimates that over 9,000 clients will be entitled to distributions from the Fair Fund.

There is no reason to involve Federated in this distribution process. Federated does not have any means of crediting distribution payments to client accounts or sending them distribution checks. The Respondents already have all of the information necessary to determine each Wrap Sponsor's share of distribution payments and to contact Wrap Sponsors directly to arrange distributions to their clients. Interjecting Federated would needlessly delay the payment of distributions to Wrap Program clients, and impose unnecessary burdens, costs and risks on Federated.

3. The Commission Should Follow Precedent Regarding the Treatment of Omnibus Accounts

Federated does not understand why the Respondents are proposing to reinvent the distribution process for their Fair Fund. Our firm has been involved with distribution plans for several fair funds. In our experience, distribution plans confirmed by the Commission have uniformly:

- (a) required respondents to retain, at their expense, an independent qualified fund administrator, rather than having a member of the Commission's staff serve as administrator, and
- (b) when appropriate, required the fund administrator to implement an outreach process to identify those ultimately entitled to payments from the fair fund.

Federated does not believe the Commission should depart from this well-tested process.

The Modified Plan of Distribution⁵ approved by the Commission on February 28, 2014, for BNY Mellon Securities LLC provides an example of such an outreach process. The plan appoints Boston Financial Data Services, Inc. as fund administrator. Paragraph 29 of this plan provides: "For Omnibus Accounts the Fund Administrator will implement an outreach process in order to identify the underlying Eligible Investors." The plan defines Omnibus Accounts as accounts where the respondent "is unable to provide underlying investor information." Wrap Program accounts are a type of Omnibus Account, insofar as only the Wrap Sponsors have complete information regarding their underlying clients, so the Respondents lack the information necessary to make distributions directly to the clients.

The outreach process gives the intermediaries who maintain Omnibus Accounts multiple options. First, they may provide the fund administrator with the information necessary to calculate and directly make payments to each of their underlying clients. Second, they may undertake to distribute their clients' share of the fair fund based on an algorithm provided by the fund administrator. Third, they may undertake to distribute their clients' share of the fair fund in a manner they deem to be consistent with their fiduciary or other legal obligations. Finally, they may request that their clients' share of the fair fund not be distributed.

These options would give Wrap Sponsors the choice of whether to become involved directly in the distribution process, rather than conscripting them into the process by unilaterally sending them distribution payments. Some Wrap Sponsor may opt to provide the information necessary for the Respondents to handle the distributions; others may opt to take the payments and make the distributions themselves. In rare circumstances, a Wrap Sponsor might opt to forego the payment entirely. Regardless of which alternative a Wrap Sponsor selects, this process assures that someone agrees to take responsibility for making distribution payments to the investors ultimately injured by the Respondents. This would be a more responsible approach than sending unsolicited distribution payments to intermediaries and hoping that they will somehow arrange to remit the right amount to the right investors.

⁵ Available at <http://www.sec.gov/litigation/admin/2014/34-71638.pdf>.

4. Conclusion

Given that the Respondents are fully aware of the Wrap Sponsors clearance and settlement of the trades subject to the Order, Federated does not understand why they have proposed to send distribution payments to Federated. Making such payments to Federated would be entirely inappropriate, insofar as: (a) investment advisers should generally not receive client funds, (b) Federated is not obligated to remit payments to clients, nor does it have the means to do so, and (c) the Respondents can work with the Wrap Sponsors to make distribution payment directly to investors who suffered losses covered by the Order. With at least two layers of intermediaries (Wrap Sponsors and underlying intermediaries) and over 9,000 clients, the distribution process will be complicated enough without the superfluous step of sending payments to Federated. Federated believes that it would be more appropriate for the Respondents to employ the process already developed for distribution to Omnibus Accounts, and engage an independent Fund Administrator to engage in an outreach process to the Wrap Sponsors, so they may choose the option that best serves the interests of their Wrap Program clients.

Please feel free to contact me if you have any questions regarding these comments on behalf of Federated.

Very truly yours,

/s/ Stephen A. Keen
Stephen A. Keen

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