

SEC Guidance on Research and Brokerage Services under Section 28(e).

It has been nearly four years since the SEC released its 2006 guidance on client commission practices. As managers continue to find ways to pay for valuable research, we thought it would be a good idea to revisit the services deemed **eligible**, **mixed-use** or **ineligible** under the SEC's definition of "research" and "brokerage."

With over 33 years of helping our client's with their compliance needs, CAPIS is a trusted guide for navigating today's regulatory landscape.

Quick Links

- [CAPIS in the News](#)
- [About Us](#)
- [CAPIS Website](#)

Eligible Research Services:

- Traditional research reports;
- Advice on market color and execution strategies;
- Discussions with research analysts;
- Research related to the market for securities (pre- and post-trade analytics including order management systems or "OMS");
- Meetings with corporate executives to obtain oral reports;
- Seminars or conferences related to research;
- Software that provides analyses of securities portfolios;
- Corporate governance research (including corporate governance analytics and rating services);
- Market data (including company financial and economic data) that reflect substantive content.

Eligible Brokerage Services:

- Communication services related to execution, clearing and settlement of transactions and other incidental to effecting securities transactions;
- Trading software operated by a broker-dealer to route orders to market centers, direct access systems (DMA) and algorithmic trading strategies;
- Short-term custody;
- Comparison services required by the SEC or SRO rules.

Mixed-Use Services:

- Proxy services;
- OMS (portions may qualify under brokerage or research).

Ineligible Research Services:

- Mass marketed publications;
- Travel expenses, entertainment and meals associated with attending seminars;
- Office equipment, business supplies, salaries (including research staff), rent, utilities, accounting fees and software to assist with administrative functions.

Ineligible Brokerage Services:

- Telephones or computer terminals;
- Software used for record-keeping or administrative purposes;
- Compliance functions or responsibilities;
- Trade financing;
- Trade error correction;
- Long-term custody and custodial record-keeping after clearance and settlement.

This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Information and opinions presented in this material have been obtained or derived from sources believed by Capital Institutional Services, Inc. (CAPIS) to be reliable. CAPIS makes no representation as to their accuracy or completeness and are subject to change without notice. Any comments or statements made herein do not necessarily reflect the views or opinions of CAPIS. CAPIS accepts no liability for loss arising from the use of this material. This material is directed exclusively at CAPIS' market professional and institutional customers. Use of this communication by other than the intended recipients is prohibited.



Technology makes it work. **People make it happen.**

800.247.6729 | www.capis.com

Member: NYSE, FINRA, SIPC