

# SEC GUIDANCE ON PRODUCTS & SERVICES UNDER SECTION 28(e)

▼ ELIGIBLE ▼

## RESEARCH PRODUCTS AND 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 through an OMS)
- Meeting with corporate executives to obtain oral reports
- Seminars/conferences\*
- Software that provides analysis of securities portfolios
- Corporate governance research (including analytics and rating services)
- Market data (including company financial and economic data) – should reflect substantive content

\* Eligible if they reflect the expression of reasoning or knowledge relating to subject matter included in section 28(e)(3)(A) and (B).

## BROKERAGE PRODUCTS AND SERVICES:

- Communication services related to execution, clearing and settlement of transactions and other functions incidental to effecting securities transactions (connectivity between a money manager and other relevant parties including an OMS, a broker-dealer and a custodian)
  - Post-trade matching
  - Electronic communication of allocations
  - Routing of settlement instructions
- Trading software operated by a broker-dealer to route orders to market centers, direct market access (DMA) systems and algorithmic trading strategies
- Short-term custody
- Comparison services required by the Commission or SRO rules (electronic confirmation and affirmation of institutional trades)

▼ MIXED-USE ▼

## MIXED-USE PRODUCTS AND SERVICES:

Items of note in the July 18, 2006 SEC Guidance:

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

▼ INELIGIBLE ▼

## RESEARCH PRODUCTS AND SERVICES:

- Mass marketed publications
- Travel expenses, entertainment and meals associated with attending seminars
- Office equipment and furniture, business supplies, telephone lines, salaries (including research staff), rent, utilities, accounting fees and software to assist with administrative functions (operating systems, word processing, equipment maintenance and repair services)
- Computer hardware, accessories and telecommunication lines
- Personnel management, membership dues, professional licensing fees, legal expenses, marketing, website design, e-mail software and Internet service

## BROKERAGE PRODUCTS AND SERVICES:

- Telephones or computer terminals
- Software used for record-keeping or administrative purposes
- Compliance functions or responsibilities
- Trade financing (stock lending fees, capital introduction and margin services)
- Trade error correction
- Long-term custody and custodial record-keeping after clearance and settlement

### Additional Notes:

\* The above information reflects changes from the SEC's most recent guidance on client commission practices and is not inclusive of all eligible and ineligible services under 28(e).

\* Research products and services that are used for both research and non-research functions are subject to a mixed-use allocation as determined by the money manager.