

PUBLICATIONS

SEC Confirmation That Fixed-Income Commissions Can Satisfy the Section 28(e) “Soft Dollars” Safe Harbor

November 2013

Registered investment advisers in the process of planning an annual compliance review will generally include a review of their best execution processes and their use of so-called “soft dollars.” Managers that trade in fixed-income securities may find it useful to review a no-action letter issued earlier this year by the Division of Trading and Markets of the U.S. Securities and Exchange Commission. This letter, granted to Carolina Capital Markets Inc., confirmed that institutional asset managers, in reliance on the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, may purchase eligible third-party brokerage and research services with commissions generated by qualifying transactions in fixed-income securities. In this article, SRZ partner Marc E. Elovitz and former Schulte lawyer Brian Daly discuss the background of the Section 28(e) safe harbor, as well as the eligibility of fixed-income commissions under the safe harbor.

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