

The Dodd-Frank Bill Amends Sections of the Securities Investor Protection Act

Washington, D.C - July 29, 2010 – The Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203, 124 Stat. 1376 (2010) (the “Dodd-Frank Act”), signed into law on July 21, 2010, amends portions of the Securities Investor Protection Act, 15 U.S.C. §78aaa *et seq.* (“SIPA”). The Securities Investor Protection Corporation (“SIPC”) highlights some of the amendments below. These amendments apply to SIPA liquidations filed on or after July 22, 2010, the effective date of the Dodd-Frank Act, and do not apply to liquidations that currently are pending.

SIPA Amendments

- Change In the Minimum Assessment Amount:

Dodd-Frank Act Section 929V amends the minimum assessment amount for SIPC member firms. The highest amount that SIPC can impose as a minimum assessment has been changed from \$150 per annum to 0.02 percent of the gross revenues from the securities business of the SIPC member. (15 U.S.C. §78ddd(d)(1)(C)).

- Increase in the Line of Credit Available from the U.S. Government:

Dodd-Frank Act Section 929C increases the amount of money that SIPC can borrow from the U. S. Government from \$1 billion to \$2.5 billion. (15 U.S.C. §78ddd(h)).

- Increase in the Standard Maximum Cash Advance Amount for Each Customer:

Dodd-Frank Act Section 929H increases the amount of SIPC protection available for claims for *cash* from \$100,000 to \$250,000. Section 929H also provides that the amount of protection for cash claims may be indexed to inflation in accordance with the terms of the statute and with approval by SIPC’s Board of Directors. The total amount of SIPC

protection available for each customer, inclusive of the \$250,000 limit on claims for cash, remains \$500,000. (15 U.S.C. § 78fff-3(a)).

- Criminalization of Misrepresentation of SIPC Membership; Increase in Fines for Other Crimes Under SIPA:

Dodd-Frank Act Section 929V criminalizes the misrepresentation of SIPC membership by making such misrepresentation punishable by a fine of \$250,000 or imprisonment for not more than five years. The maximum fine for other prohibited acts under SIPA is increased from \$50,000 to \$250,000. (15 U.S.C. §78jjj(d)).

- Inclusion of Approved Options on Future Contracts in the Definition of "Customer":

Dodd-Frank Act Section 983 amends the definition of "customer" to include "any person who has a claim against the debtor for . . . options on futures contracts received, acquired, or held in a portfolio margining account carried as a securities account pursuant to a portfolio margining program approved by the Commission." (15 U.S.C. §78lll(2)(B)(ii)). The definition of "customer property" also is amended to include such assets. (15 U.S.C. §78lll(4)(D)).

ABOUT SIPC

The Securities Investor Protection Corporation is the U.S. investor's first line of defense in the event a brokerage firm fails, owing customer cash and securities that are missing from customer accounts. SIPC either acts as trustee or works with an independent court-appointed trustee in a brokerage insolvency case to recover funds.

The statute that created SIPC provides that customers of a failed brokerage firm receive all non-negotiable securities - such as stocks or bonds -- that are already registered in their names or in the process of being registered. At the same time, funds from the SIPC reserve are available to satisfy the remaining claims of each customer up to a maximum of \$500,000. This figure includes a maximum of \$250,000 on claims for cash in liquidations filed on or after July 22, 2010. From the time Congress created it in 1970 through December 2009, SIPC has advanced \$1.2 billion in order to make possible the recovery of \$108 billion in assets for an estimated 763,000 investors.

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