SIPC

Securities Investor
Protection Corporation

2022 ANNUAL REPORT

Securities Investor Protection Corporation
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April 28, 2023

The Honorable Gary Gensler
Chair
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Chair Gensler:

On behalf of the Board of Directors I submit herewith the Fifty-Second Annual Report of the Securities Investor Protection Corporation pursuant to the provisions of Section 11(c)(2) of the Securities Investor Protection Act of 1970.

Respectfully,

Claudia Slacik
Chair

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MESSAGE FROM THE CHAIR

Claudia Slacik

In 2022, four new members joined the SIPC Board. We acknowledge the important contributions of the Board's former Directors as we look forward to leading SIPC as a largely newly constituted Board. As intended by Congress, with two Directors from the general public, three from the securities industry, one from the Federal Reserve and one from the U. S. Treasury, the interests of these different sectors will continue to have a voice on the Board and in the operation of SIPC.

Due to the pandemic, the SIPC staff worked remotely for the first half of the year and returned to the office, on a hybrid basis, in early June. Throughout, the staff collaborated closely with the trustees and their staffs on the two liquidations that remained in 2022. The liquidation of Lehman Brothers Inc. which began in 2008 with much commotion ended quietly this year. The success in that liquidation was matched in the liquidation of Bernard L. Madoff Investment Securities LLC which, as in prior years, achieved impressive recoveries for the victims of that firm.

Lehman Brothers Inc.

On September 22, 2022, the United States Bankruptcy Court for the Southern District of New York entered an order discharging the Trustee for the liquidation of Lehman Brothers Inc. and closing the liquidation proceeding. The case, which began during the 2008 financial crisis, ended with the return of more than $105 billion in assets to customers with more than 111,000 accounts. The enormity of the liquidation and the complexity of the issues that reached across the globe cannot be overstated. Much credit belongs to the Trustee and his staff, supported by SIPC personnel, in resolving claims to assets on a scale not previously seen in a liquidation under the Securities Investor Protection Act (SIPA). In addition to all customers with valid claims being made whole, $9.7 billion was recovered for unsecured general claimants representing a recovery rate of approximately 41%.

Bernard L. Madoff Investment Securities LLC

Ground-breaking decisions were rendered in the Madoff liquidation in 2022 that benefitted the Madoff victims and added to the growing body of case law under SIPA.

At the end of 2022, more than $14.55 billion had been recovered for customers, with more than $14.33 billion distributed. A customer with an allowed claim of up to $1.69 million was made whole. Other customers with larger allowed claims received 70.452% of the net amounts custodied with the Madoff firm. With over 1,000 cases initiated by the Trustee for the recovery of customer assets, roughly 105 remain in litigation. No customer assets or recoveries are used to pay the administrative expenses of the proceeding which are financed wholly by SIPC.

Consistent with SIPA, over the past year, SIPC worked closely with the SEC and FINRA regarding possible problem firms. Under the oversight of FINRA, three firms ceased operation, with minimal disruption to customers. While SIPC was kept closely apprised and stood ready to intervene if needed, the ability of the firms to resolve their operations, appropriately left SIPC as the remedy of last resort.

LOOKING AHEAD:

The fact that no new SIPA cases have been brought in recent years continues to be a testament to the effectiveness of the SEC's financial responsibility requirements and to regulatory bodies' enforcement of them. The absence of new cases allowed SIPC to continue to focus on modernizing its processes. The transition to the cloud of SIPC's services and applications moves closer to completion. A broker portal which SIPC had hoped to launch in 2022 but which continues under development, will facilitate the filing of assessment forms by SIPC members and the payment of assessments to SIPC. On the back-end, the system will facilitate SIPC's processing of information and payments.

A central focus of SIPC always is to ensure the strength and preparedness of the SIPC Fund. The Fund remains strong as it progresses steadily toward its target of $5 billion. In this regard, much recognition is owed to the SIPC membership that consists of almost all registered securities broker-dealers and that pay assessments to SIPC. Through their support of SIPC, the readiness of the members to ensure that investor confidence is not lost when a firm fails has been steadfast.

As the threat of the pandemic recedes, SIPC looks forward to reuniting with its foreign counterparts in person. Meetings with entities located abroad that have a similar role to that of SIPC provide an opportunity to exchange information and lay the groundwork for cooperation in the event of a cross-border insolvency. An in-person meeting in Budapest with foreign counterparts is scheduled for 2023.

Finally, no message for the year would be complete without giving thanks where due. Through the support they have given in two of the largest liquidations in SIPC's history, to the hard work and initiative they have shown in moving SIPC forward, to their unwavering belief in SIPC's mission, the SIPC staff is, in a word, exceptional. SIPC extends its heartfelt thanks to the staff. SIPC also expresses its appreciation to the SEC and FINRA for their continued support and collaboration.

Claudia Slacik

Claudia Slacik
Chair

The Securities Investor Protection Corporation (SIPC) had its origins in the difficult years of 1968–70, when the paperwork crunch, brought on by unexpectedly high trading volume, was followed by a very severe decline in stock prices. Hundreds of broker-dealers were merged, acquired or simply went out of business. Some were unable to meet their obligations to customers and went bankrupt. Public confidence in our securities markets was in jeopardy.

Congress acted swiftly, passing the Securities Investor Protection Act of 1970, 15 U.S.C. § 78aaa *et seq*. (SIPA). Its purpose is to afford certain protections against loss to customers resulting from broker-dealer failure and, thereby, promote investor confidence in the nation's securities markets. Currently, the limits of protection are $500,000 per customer except that claims for cash are limited to $250,000 per customer.[△]

SIPC is a nonprofit, membership corporation. Its members are, with some exceptions, all persons registered as brokers or dealers under Section 15(b) of the Securities Exchange Act of 1934 and all persons who are members of a national securities exchange.[*]

A board of seven directors determines policies and governs operations. Five directors are appointed by the President of the United States subject to Senate approval. Three of the five represent the securities industry and two are from the general public. One director is appointed by the Secretary of the Treasury and one by the Federal Reserve Board from among the officers and employees of those organizations. The Chairman and the Vice Chairman are designated by the President from the public directors.

The self-regulatory organizations—the exchanges and the Financial Industry Regulatory Authority (FINRA)—and the Securities and Exchange Commission (SEC or Commission) report to SIPC concerning member broker-dealers who are in or approaching financial difficulty. If SIPC determines that the customers of a member require the protection afforded by the Act, the Corporation initiates steps to commence a customer protection proceeding[†]. This requires that SIPC apply to a Federal District Court for appointment of a trustee to carry out a liquidation. Under certain circumstances, SIPC may pay customer claims directly.

The SIPC staff, numbering 38, initiates the steps leading to the liquidation of a member, advises the trustee, his counsel and accountants, reviews claims, audits distributions of property, and carries out other activities pertaining to the Corporation's purposes. In cases where the court appoints SIPC as Trustee and in direct payment proceedings, the staff responsibilities and functions are all encompassing—from taking control of customers' and members' assets to satisfying valid customer claims and accounting for the handling of all assets and liabilities.

The resources required to protect customers beyond those available from the property in the possession of the trustee for the failed broker-dealer are advanced by SIPC. The sources of money for the SIPC Fund are assessments collected from SIPC members and interest on investments in United States Government securities. In addition, if the need arises, the SEC has the authority to lend SIPC up to $2.5 billion, which it, in turn, would borrow from the United States Treasury.

△ See the Series 100 Rules Identifying Accounts of "Separate Customers" of SIPC members.

* Section 3(a)(2)(A) of SIPA excludes:

(i) persons whose principal business, in the determination of SIPC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions;

(ii) persons whose business as a broker or dealer consists exclusively of (I) the distribution of shares of registered open end investment companies or unit investment trusts, (II) the sale of variable annuities, (III) the business of insurance, or (IV) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts; and

(iii) persons who are registered as a broker or dealer pursuant to [15 U.S.C. § 78*o*(b)(11)(A)].

Also excluded are government securities brokers or government securities dealers who are members of a national securities exchange but who are registered under section 15C(a)(1)(A) of the Securities Exchange Act of 1934 [15 U.S.C. § 78o-5(a)(1)(A)].

Further information about the provisions for customer protection is contained in a booklet, "How SIPC Protects You," available on SIPC's website at www.sipc.org/news-and-media/brochures and also available in bulk from the Securities Industry and Financial Markets Association (SIFMA), www.sifma.org/store, phone number (212) 313-1000, and from the FINRA MediaSource, P.O. Box 9403, Gaithersburg, MD 20898-9403. The web site address for FINRA orders is www.finra.org/order-printed-publications and the phone number is (240) 386-4200.

† Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) governs the orderly liquidation of financial companies whose failure and resolution under otherwise applicable Federal or State law would have serious adverse effects on U.S. financial stability. If the Dodd-Frank orderly liquidation authority is invoked with regard to a broker or dealer that is a SIPC member, the responsibility for the resolution of the broker or dealer will be shared between SIPC and the FDIC. For example, the FDIC will: (1) act as receiver of the broker-dealer; (2) appoint SIPC as trustee; and (3) jointly determine with SIPC the terms of the protective decree to be filed by SIPC with a federal district court of competent jurisdiction.

Claudia Slacik
Chair

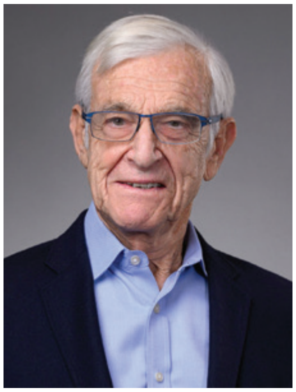
Glen S. Fukushima
Vice-Chair

William Brodsky
Cedar Street Asset Management, LLC
Chairman
Options Solutions
Chairman

Daniel M. Covitz
Board of Directors of the Federal Reserve System
Deputy Director, Division of Research and Statistics

William S. Jasien
Stonehedge Global Partners
President & CEO

W. Moses Kim
United States Department of the Treasury
Director, Office of Financial Institutions Policy



Alan Patricof
Primetime Partners
Co-founder and Chairperson

COMMITTEE COMPOSITION

Audit and Budget Committee
Daniel M. Covitz—Chair
William S. Jasien
Claudia Slacik

Compensation Committee
Gregory S. Karawan—Chair (until 12/23/2022)
W. Moses Kim
Glen S. Fukushima

Investment Committee
William J. Brodsky—Chair
W. Moses Kim
Glen S. Fukushima

OFFICERS
Josephine Wang
President & CEO

Michael L. Post
General Counsel & Secretary

Charles E. Glover
Vice President—Finance

Karen L. Saperstein
Vice President—Operations

COMMITTEES

The Board of Directors oversees the management of SIPC's business and affairs, as well as its corporate governance, a continuing priority for SIPC. The Board's statutory composition is intended to provide confidence that SIPC is effectively overseen and well governed. To further this goal, the Board has delegated certain duties to three standing committees—the Audit and Budget Committee, the Investment Committee, and the Compensation Committee. SIPC's Bylaws provide that each Committee is comprised of a public director, an industry director, and a government director.

Committee	Purpose	Duties
Audit & Budget Committee	• Provides oversight of the integrity of financial statements and financial reporting and the overall effectiveness of internal control environment • Oversees compliance with applicable legal and regulatory requirements and the independence, qualifications, and performance of the external auditor • Ensures adequate management controls to minimize the financial risks to which the Fund is exposed	• Selects the independent external auditor to examine accounts, controls, and financial statements • Monitors independence and performance of external auditors • Reviews financial statements and financial disclosure • Reviews the proposed budget relative to annual goals and objectives, and recommends final budget to Board • Reviews systems of internal control • Reviews federal tax return
Investment Committee	• Assists the Board in formulating investment policies • Oversees management of the SIPC Fund and compliance with the Securities Investor Protection Act provisions relating to Fund investments	• Establishes, reviews, and updates the investment policy for approval by the Board • Formulates, for Board consideration and approval, policies and procedures to manage, to the extent possible, market, liquidity, credit, and other investment and asset management risks • Ensures that investments are made only in United States Government or agency securities as statutorily required • Reviews overall investment performance, asset allocation, and associated expenses • Reports on investment performance and changes in investments to the Board

Committee	Purpose	Authority/Responsibilities
Compensation Committee	• Provides oversight of total compensation strategy and assists the Board in determining the appropriate compensation for officers and compensation levels for staff • Ensures that human resources opportunities and risks are properly identified and managed	• Oversees the development and administration of SIPC's Human Resource programs and policies including talent management, staffing, performance management, benefits, and succession planning • Establishes, reviews and updates compensation strategy and structure for approval by the Board • Annually reviews proposals regarding compensation • Recommends compensation for officers and staff for approval by the Board • Recommends strategies and plans for merit pay/ incentives/severance pay and other unusual compensation arrangements that may arise

ETHICS AND WHISTLEBLOWER POLICY

Annually, SIPC's public and industry directors must confirm receiving the SIPC Director Code of Ethics, having reviewed it, and being familiar with its contents; disclosing any actual or potential conflicts of interest; avoiding activities or associations that could reasonably lead to a conflict of interest; not using their position for personal gain or for the gain of a spouse, dependents, or partner; and maintaining in strict confidence all information that would reasonably be expected to be maintained in confidence.

SIPC's Whistleblower Policy encourages and enables employees to raise serious concerns about violations of SIPC's Code of Conduct, which is a part of the SIPC Bylaws and included in the SIPC Employee Handbook. As outlined by the Policy, each employee may report complaints and allegations concerning violations of SIPA, the SIPC Bylaws, the SIPC Code of Conduct and general principles of law and business ethics to the employee's supervisor, his or her supervisor, SIPC's Compliance Officer, or SIPC's President. All SIPC staff must acknowledge annually that they have read and understand the SIPC Employee Handbook including the Business Ethics Policy, the Ethics Rules, and the Whistleblower Policy.

DIRECTOR HONORARIA AND MEETING ATTENDANCE

The Chairman receives a yearly honorarium of $28,000. The Vice Chairman and the three industry directors each receive annual honoraria of $12,000, except that if the positions of Chairman and Vice Chairman are vacant and one of the Securities Directors performs certain functions of the Chairman for a continuous twelve-month period, then that Securities Director receives a yearly honorarium of $28,000 for that period. The Chairman, Vice Chairman, and three industry directors are reimbursed for their official business expenses. The two government directors receive no honoraria and are not reimbursed for their official business expenses.

The Board held eight meetings in 2022. The Audit and Budget Committee met five times; the Compensation Committee twice; and the Investment Committee met three times. The Director attendance at Board and Committee meetings for the year was as follows:

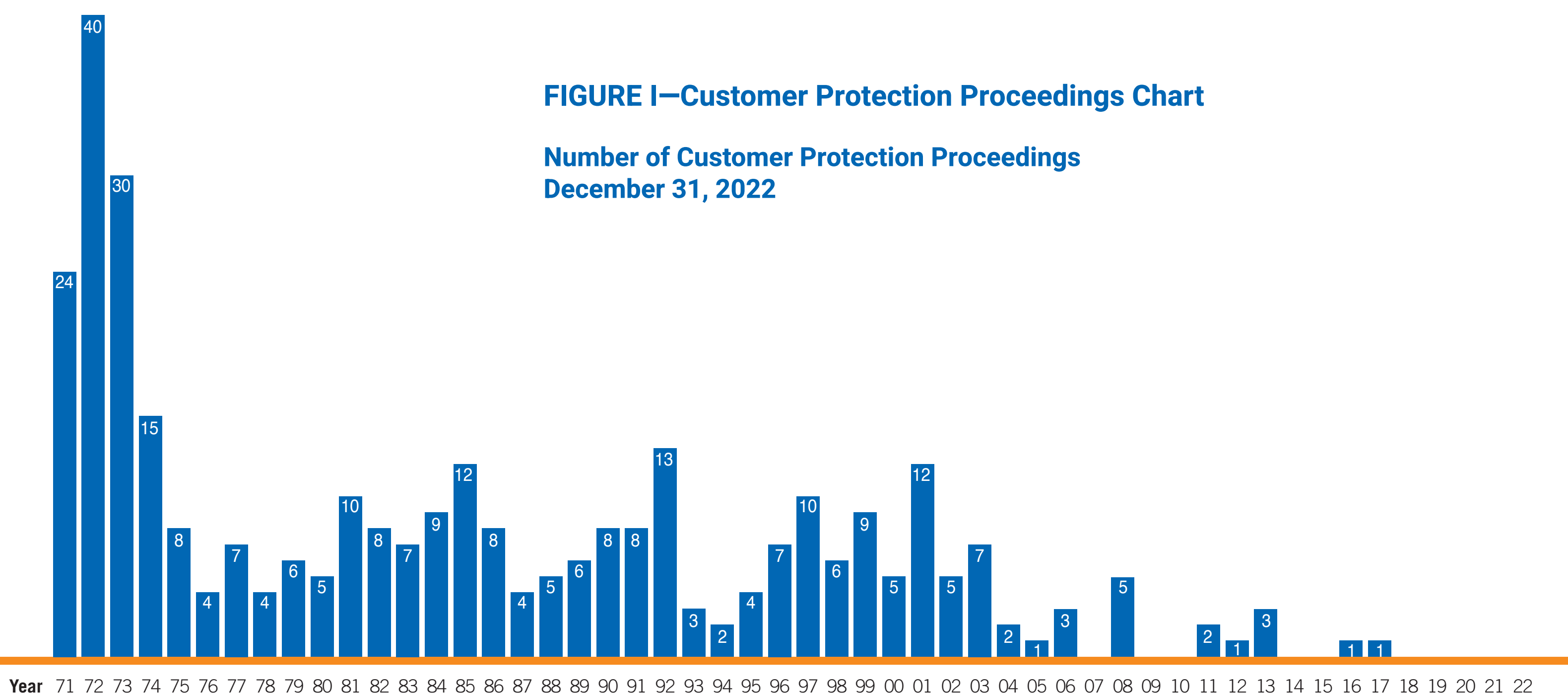
Director	Board Meetings	Committee Meetings
William J. Brodsky	5/5	2/2
Daniel M. Covitz	8/8	5/5
Glen S. Fukushima	6/6	4/4
William S. Jasien	8/8	5/5
W. Moses Kim	8/8	5/5
Claudia Slacik	8/8	4/4
Anthony D'Agostino*	3/3	1/1
Gregory S. Karawan*	8/8	2/2

**Directorship conluded during the year*

In 2022, no customer protection proceeding was initiated. Over the last ten-year period, the annual average of new cases was 0.5. Since the inception of SIPC, 330 proceedings commenced under SIPA. These 330 members represent less than one percent of the approximately 40,000 broker-dealers that have been SIPC members during the last fifty-two years. Currently, SIPC has 3,396 members. During SIPC's fifty-two year history, cash and securities distributed for accounts of customers totaled approximately $142 billion. Of that amount, approximately $141.2 billion came from debtors' estates and $917 million came from the SIPC Fund (See Appendix 1).

FIGURE I—Customer Protection Proceedings Chart

Number of Customer Protection Proceedings
December 31, 2022



Claims over the Limits

Of the approximately 770,400 claims satisfied in completed or substantially completed cases as of December 31, 2022, a total of 355 were for cash and securities whose value was greater than the limits of protection afforded by SIPA.

The 355 claims represent less than one percent of all claims satisfied. The unsatisfied portion of claims, $49.7 million, represent less than one percent of the total value of securities and cash distributed for accounts of customers in the 329 completed or substantially completed cases.

SIPC Fund Advances

Table I shows that the 92 debtors, for which net advances of more than $1 million have been made from the SIPC Fund, accounted for 99 percent of the total advanced in all 330 customer protection proceedings. The largest net advance in a single liquidation is $2.87 billion in Bernard L. Madoff Investment Securities LLC. This exceeds the net advances in all of the other proceedings combined.

In the 30 largest proceedings, measured by net funds advanced, SIPC advanced $3.23 billion, or 95 percent of net advances from the SIPC Fund for all proceedings.

TABLE I

Net Advances from the SIPC Fund
December 31, 2022
330 Customer Protection Proceedings

Net Advances		Number of Proceedings	Amounts Advanced
From	To		
$40,000,001	up	1	$2,875,732,364
10,000,001	$40,000,000	11	229,953,583
5,000,001	10,000,000	18	125,969,887
1,000,001	5,000,000	62	136,644,145
500,001	1,000,000	38	28,003,614
250,001	500,000	42	14,515,460
100,001	250,000	63	10,129,856
50,001	100,000	42	2,995,426
25,001	50,000	24	879,779
10,001	25,000	11	168,668
0	10,000	11	26,087
Net Recovery		7	(13,991,621)*
		330	$3,411,027,248†

* Recovery of assets and appreciation of debtors' investments after the filing date enabled the trustee to repay SIPC its advances plus interest.

† Consists of advances for accounts of customers ($917,319,525) and for administration expenses ($2,493,707,723).

The SIPC Staff

The net decrease of 36 members during the year brought the total membership to 3,396 at December 31, 2022. Table 2 shows the members' designated examining authorities, as well as the year's changes therein.

Delinquencies

Members who are delinquent in paying assessments receive notices pursuant to SIPA Section 14(a). As of December 31, 2022, there were 169 members who were subjects of uncured notices, 148 of which were mailed during 2022, three during 2021, four during 2020, three during 2019, two during 2018, three during 2017, one during 2016, one during 2015, one during 2014, one in 2012 and two in 2010. Subsequent filings and payments by 78 members left 91 notices uncured. Three registrations have been cancelled. Uncured delinquencies are referred to the SEC for further action.

SIPC Fund

The SIPC Fund, shown at Table 5, on page 29, consisting of the aggregate of cash and investments in United States Government securities at fair market value plus accrued interest, amounted to $4.05 billion at year end, a decrease of $103 million during 2022.

Tables 3 and 4, on pages 11 and 12, present principal revenues and expenses for the years 1971 through 2022. The 2022 member assessments were $382.3 million and interest from investments was $81.4 million. During the years 1971 through 1977, 1983 through 1985, 1989 through 1995, and 2009 through 2022, member assessments were based on a percentage of each member's gross revenue (net operating revenue for 1991 through 1995 and 2009 through 2022) from the securities business.

Appendix 2, on page 31, is an analysis of revenues and expenses for the five years ended December 31, 2022.

[1] 14(a) Failure to Pay Assessment, etc—If a member of SIPC shall fail to file any report or information required pursuant to this Act, or shall fail to pay when due all or any part of an assessment made upon such member pursuant to this Act, and such failure shall not have been cured, by the filing of such report or information or by the making of such payment, together with interest and penalty thereon, within five days after receipt by such member of written notice of such failure given by or on behalf of SIPC, it shall be unlawful for such member, unless specifically authorized by the Commission, to engage in business as a broker or dealer. If such member denies that it owes all or any part of the full amount so specified in such notice, it may after payment of the full amount so specified commence an action against SIPC in the appropriate United States district court to recover the amount it denies owing.

TABLE 2

SIPC Membership
Year Ended December 31, 2022

Designated Examining Authorities	Total	Added[a]	Terminated[a]
FINRA[b]	3,299	110	113
Cboe Exchange, Inc.[h]	35	4	—
NYSE American LLC[g]	5	—	—
NYSE Arca, Inc.[e]	9	—	—
Nasdaq PHLX LLC[f]	14	—	—
NYSE Chicago, Inc.[i]	11	—	—
None[c]	23	—	37
	3,396	114	150

Notes:

(a) The numbers in this category do not reflect transfers of members to successor designated examining authorities that occurred within 2022. The numbers in this category do not reflect members who due to timing differences between the effective date of new registrations and terminations and the date processed by SIPC were added or terminated in 2021 but processed by SIPC in 2022.

(b) Effective July 30, 2007 the National Association of Securities Dealers, Inc. (NASD) and the regulatory functions of the New York Stock Exchange, Inc. (NYSE) merged to form the Financial Industry Regulatory Authority, Inc. (FINRA).

(c) The "None" designation is an extralegal category created by SIPC for internal purposes only. It is a category by default and mirrors the SECO broker-dealer category abolished by the SEC in 1983.

This number reflects the temporary status of broker-dealers between the termination of membership in a self-regulatory organization and the effective date of the withdrawal or cancellation of registration under section 15(b) of the 1934 Act.

(e) Formerly the Pacific Stock Exchange, Inc.

(f) Formerly NASDAQ OMX PHLX

(g) Formerly NYSE MKT LLC

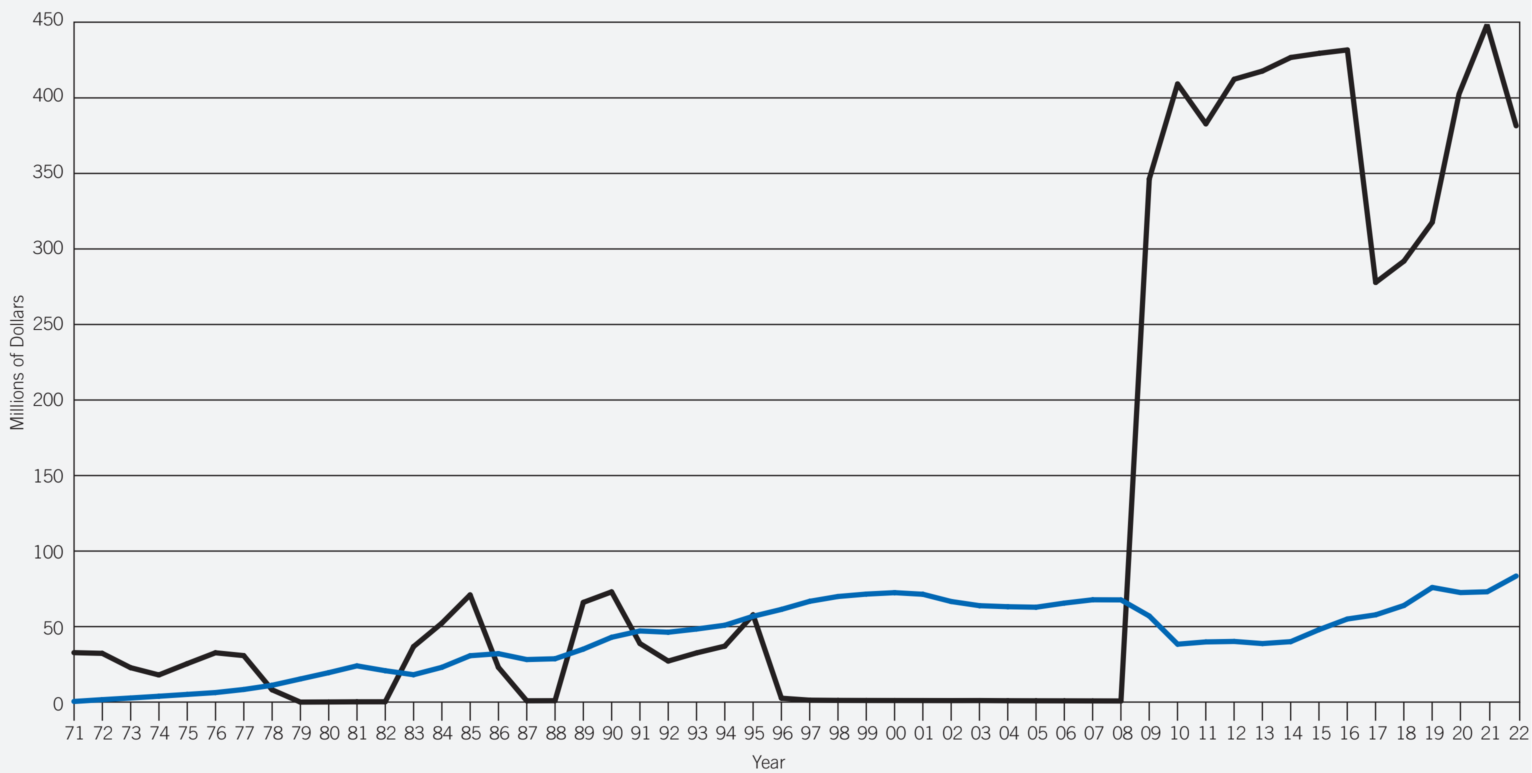
(h) Formerly Chicago Board Options Exchange Incorporated

(i) Formerly Chicago Stock Exchange, Incorporated

TABLE 3

SIPC Revenues for the Fifty-Two Years Ended December 31, 2022

■ Member assessments and contributions: $6,113,256,110
■ Interest on U.S. Government securities: $2,258,735,033



History of Member Assessments*

1971: ½ of 1% plus an initial assessment of 1⁄8 of 1% of 1969 revenues ($150 minimum).

1972–1977: ½ of 1%.

January 1–June 30, 1978: ¼ of 1%.

July 1–December 31, 1978: None.

1979–1982: $25 annual assessment.

1983–March 31, 1986: ¼ of 1% effective May 1, 1983 ($25 minimum).

1986–1988: $100 annual assessment.

1989–1990: 3⁄16 of 1% ($150 minimum).

1991: .065% ($150 minimum).

1992: .057% ($150 minimum).

1993: .054% ($150 minimum).

1994: .073% ($150 minimum).

1995: .095% ($150 minimum).

1996–March 31, 2009: $150 annual assessment.

April 1, 2009–2016: .25% ($150 minimum through June 2010).

2017–December 31, 2022: .15%.

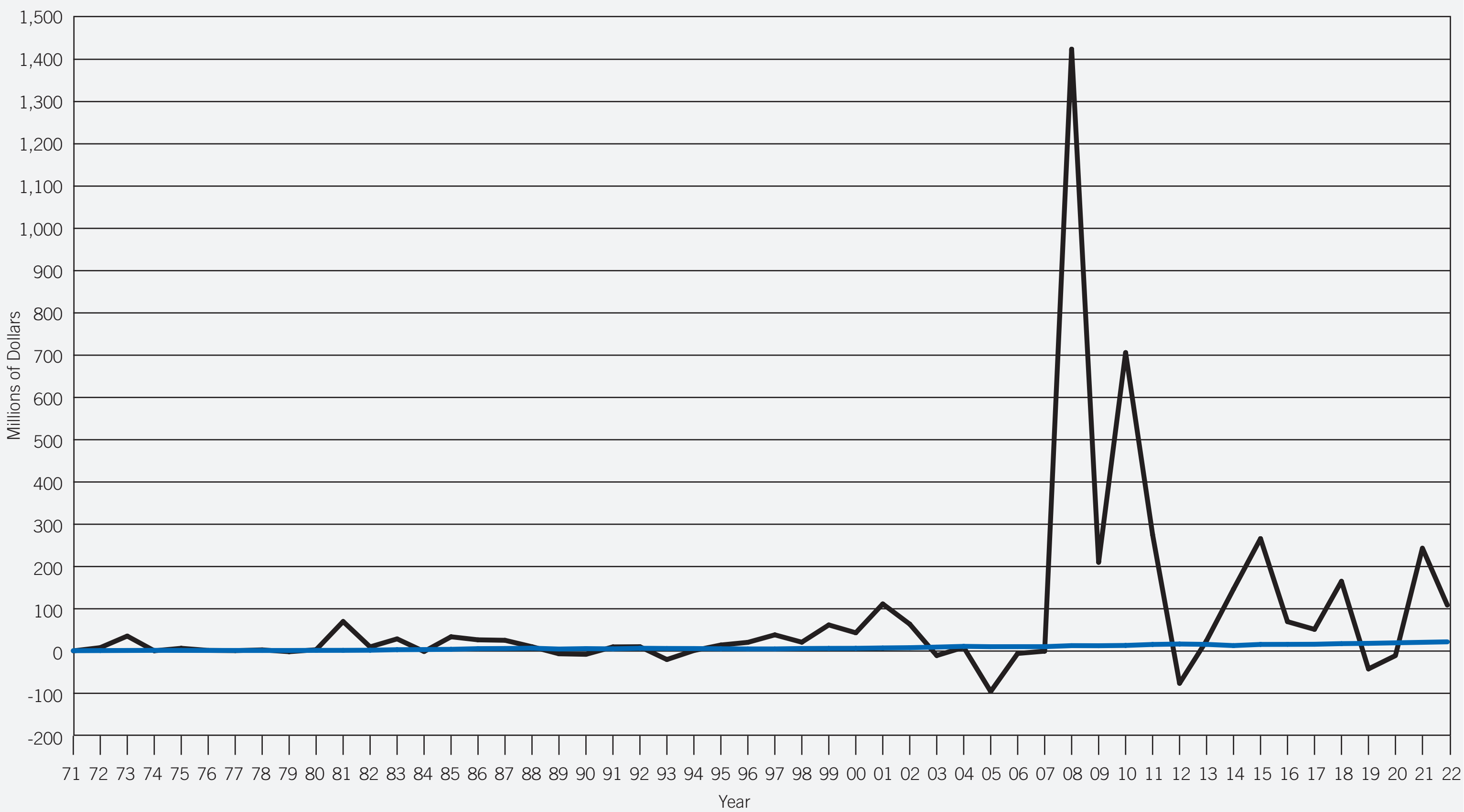
* Rates based on each member's gross revenues (net operating revenues for 1991–1995 and April 1, 2009 to present) from the securities business.

TABLE 4

SIPC Expenses for the Fifty-Two Years Ended December 31, 2022

■ Customer protection proceedings: $4,082,127,248 (consists of net advances of $3,411,027,248 and $673,200,000 of estimated costs to complete proceedings less estimated future recoveries of $2,100,000).

■ Other expenses: $421,989,284



During 2022, SIPC and trustees under the Securities Investor Protection Act were actively involved in litigation at both the trial and appellate levels. The noteworthy matters are summarized below:

The liquidation of Bernard L. Madoff LLC ("BLMIS"), and matters related to it, resulted in several significant decisions.

On February 28, 2022, the United States Supreme Court denied Citibank, N.A.'s petition for certiorari which sought the Court's review of the Second Circuit Court of Appeals' 2021 decision in *Picard v. Citibank*, N.A. (*In re Bernard L. Madoff Inv. Sec. LLC*), 12 F.4th 171 (2d. Cir. 2021). *See Citibank, N.A. v. Picard*, 212 L. Ed. 2d 217, 142 S. Ct. 1209 (2022). The Second Circuit had held that a SIPA trustee does not need to plead the transferee's lack of good faith, which will be judged by an inquiry notice standard rather than willful blindness. With the denial of certiorari by the Supreme Court, that decision became final. Together with the Second Circuit's 2019 decision, *In re Irving H. Picard, Trustee for the Liquidation of BLMIS*, 917 F. 3d 85 (2nd Cir. 2019), which held that the Trustee could recover, under Bankruptcy Code § 550(a), fraudulent transfers made by a foreign initial transferee to a foreign subsequent transferee, these decisions have allowed the Trustee to proceed under an appropriate, lesser pleading burden in his actions to avoid and recover billions of dollars of transfers made by BLMIS to foreign feeder funds and subsequently to feeder fund investors.

Many of these subsequent transferees brought motions to dismiss the Trustee's complaints in the Bankruptcy Court for the Southern District of New York, making similar arguments for dismissal, including the following: (1) the Bankruptcy Court lacks personal jurisdiction over the defendants, (2) the Trustee improperly pleaded the avoidance of transfers by incorporating the complaint against the initial transferee, (3) the Trustee could not trace and identify subsequent transfers of customer property, (4) the Bankruptcy

Code § 546(e) protects subsequent transfers of settlement payments, and (5) the Trustee's complaint establishes the defendant's good faith. The Bankruptcy Court rejected every argument and denied every motion to dismiss, issuing 41 decisions between June 2022 and the end of the year. *See, e.g., Picard v. Multi-Strategy Fund Ltd.*, 641 B.R. 78 (Bankr. S.D.N.Y. 2022); *Picard v. Bank Julius Baer & Co.*, Adv. Pro. No. 11-02922 (CGM), 2022 WL 17726520 (Bankr. S.D.N.Y. Dec. 15, 2022).

A subset of these defendants moved before the Southern District of New York for leave to appeal the Bankruptcy Court's decisions. The District Court consolidated a group of seven motions which sought an appeal regarding the application of § 546(e), and subsequently denied these motions. *Picard v. Multi-Strategy Fund Ltd.*,—B.R.—, No. 22-CV-06502 (JSR), 2022 WL 16647767 (S.D.N.Y. Nov. 3, 2022). The District Court found no reasonable grounds for disagreement with the Bankruptcy Court's decisions, reaffirming its earlier decision that a subsequent transferee may only claim the § 546(e) defense to avoidability to the extent that the initial transferee could assert such a defense. Moreover, if the initial transferee's actual knowledge of a broker-dealer's fraud prevented the application of § 546(e) to otherwise avoidable transfers, the subsequent transferee's lack of knowledge of the fraud does not revive the defense and make the transfer unavoidable. These cases will now continue with discovery.

The Trustee also succeeded on many avoidance and recovery actions against investors who had received fictitious profits from BLMIS, at multiple stages of litigation: on appeal, on motions for summary judgment, and after trial. Notable decisions include the following:

In *Picard v. JABA Assocs. LP,* 49 F.4th 170 (2d Cir. 2022), the Second Circuit affirmed the District Court's decision which granted summary judgment in favor of the Trustee and awarded the Trustee $2.9 million plus prejudgment interest at 4% from the date of the complaint. Addressing the issues on appeal, the Court held that there was no genuine dispute of material fact that the bank accounts used by Madoff to conduct the Ponzi scheme had been transferred to the brokerage business of BLMIS rather than remain with Madoff as a sole proprietorship. Accordingly, the Trustee had standing to recover fraudulent transfers from the accounts. A concurring opinion stated that, because the transfers the Trustee seeks to recover consist of customer property from a purported bro-

ker-dealer, they constitute transfers by BLMIS, regardless of whether the bank accounts were in BLMIS's name. The Second Circuit also affirmed the district court's award of 4% prejudgment interest.

Shortly after the Second Circuit issued its decision in JABA, the District Court issued its opinion in Picard v. Keller, No. 21-CV-8678 (JPO), 2022 WL 4592898 (S.D.N.Y. Sept. 30, 2022), affirming the Bankruptcy Court's grant of summary judgment in favor of the Trustee, for substantially the same reasons discussed in JABA. The Trustee was awarded $1.896 million in fictitious profits transferred in the two years prior to the filing date plus prejudgment interest at 4% from the date of the complaint.

In *In re Bernard L. Madoff Inv. Sec. LLC*, No. 1:21-CV-02334-CM, 2022 WL 493734 (S.D.N.Y. Feb. 17, 2022), *appeal withdrawn*, No. 22-551, 2022 WL 2125334 (2d Cir. May 20, 2022), the defendants appealed the Bankruptcy Court's grant of summary judgment in favor of the Trustee to the District Court. The District Court treated the bankruptcy court's decision as a report and recommendation and issued judgment in favor of the Trustee to recover fraudulent transfers of $2.6 million within two years of the filing date, plus 4% prejudgment interest from the date of the complaint. While disagreeing with the Bankruptcy Court's application of the law of the case doctrine, the District Court held that, nevertheless, the Trustee had established the elements of his claims, without any genuine issue of material fact: a transfer by debtor, within two years of the filing date, with actual intent to defraud its creditors.

In *Picard v. Avellino*, 642 B.R. 353 (Bankr. S.D.N.Y. 2022), the Bankruptcy Court granted partial summary judgment for the Trustee against four entity defendants and the general partner defendants for the recovery of $17.2 million in fraudulent transfers, plus prejudgment interest of 4% from the filing of the complaint. The Bankruptcy Court first ruled that, because the defendants had filed customer claims, the Court had authority to enter a final judgment. The Bankruptcy Court further held that, under the Ponzi scheme presumption, the transfers from BLMIS were made with actual intent to defraud creditors. The Bankruptcy Court did not find credible the defendants' expert testimony that the accounts contained actual trades.

Following a five-day bench trial, the District Court issued findings of fact and conclusions of law in favor of the Trustee

on his avoidance and recovery claims in *Picard v. Sage Realty*, No. 20 CIV. 10057 (JFK), 2022 WL 1125643 (S.D.N.Y. Apr. 15, 2022). The defendants had alleged that, because they had directed trades for certain securities in their accounts, they were entitled to an alternative calculation of net equity which gave them credit for such securities. The District Court found that, despite some directions regarding trades, no actual trading occurred and the account statements were, as with other BLMIS investors, the result of impossible transactions using historical prices. As other courts have held, the District Court found that the bank accounts used to make the transfers were owned by BLMIS, and under the Ponzi scheme presumption, transfers from BLMIS were fraudulent. Accordingly, the Trustee was entitled to avoid and recover transfers of fictitious profits made within two years of the filing date, and the Trustee was awarded $16.88 million.

In *Picard v. RAR Entrepreneurial Fund, Ltd.*, No. 20-cv-01029-JMF (S.D.N.Y.), the District Court had previously granted partial summary judgment to the Trustee on his avoidance and recovery action, finding that the defendants had received transfers of fictitious profits, made within two years of the filing date, and with actual intent to defraud creditors. The District Court, however, believed that a genuine issue of material fact remained regarding whether the bank accounts used to make the transfers belonged to Madoff as a sole proprietorship or had been transferred to the debtor, BLMIS. The Court conducted a three-day jury trial to determine this issue, resulting in a jury verdict in favor of the Trustee. Following briefing on the issue of prejudgment interest and the issuance of the *JABA* decision, the District Court entered a judgment awarding the Trustee $12.8 million, plus prejudgment interest of 4% from the date of the complaint, for a total of approximately $18.8 million.

SIPC was involved in two arbitration proceedings involving internet domain names:

In *SIPC v. John Lawson, SIPC*, Claim No. FA2206002000821 (National Arbitration Forum June 14, 2022), SIPC filed a complaint with the National Arbitration Forum seeking to have the domain name <firms-sipc.org> transferred to it. The arbitrator found that the domain name at issue was confusingly similar to the SIPC mark, and the Respondent had no rights or legitimate interests in respect of the domain name. The arbitrator further found Respondent registered and used the domain name in connection with a fraudulent phishing scheme and therefore in bad faith. The arbitrator ordered the domain name transferred to SIPC.

Similarly, in *SIPC v. Mathew John / Music-stream*, Claim No. FA2208002010500 (National Arbitration Forum Oct. 12, 2022), SIPC filed a complaint with the National Arbitration Forum seeking to have the domain name <sip-7.com> transferred to it. The arbitrator found that the domain name at issue was confusingly similar to the SIPC mark, and the Respondent had no rights or legitimate interests in respect of the domain name. The arbitrator also found that Respondent registered and has used the domain name in bad faith, specifically by replicating on that website most of the content of SIPC's official website and seeking to profit from the confusion thus caused. The arbitrator ordered the domain name transferred to SIPC.

Members In or Approaching Financial Difficulty

Section 5(a)(1) of SIPA requires the SEC or the self-regulatory organizations to immediately notify SIPC upon discovery of facts which indicate that a broker or dealer subject to their regulation is in or is approaching financial difficulty. The Commission, the securities exchanges and the FINRA fulfill this requirement through regulatory procedures which integrate examination and reporting programs with an early-warning procedure for notifying SIPC. The primary objective of those programs is the early identification of members which are in or are approaching financial or operational difficulty and the initiation of remedial action by the regulators necessary to protect the investing public.

Members on Active Referral

During the calendar year 2022 SIPC received one referral under Section 5(a). This referral did not result in SIPC initiating a liquidation proceeding in 2022.

SIPC received periodic reports identifying those members which, although not considered to be in or approaching financial difficulty, have failed to meet certain pre-established financial or operational criteria and are under closer-than-normal surveillance.

SIPC routinely forwards to the Securities and Exchange Commission, for possible action under Section 14(b) of SIPA, the names of principals and others associated with members for which SIPC customer protection proceedings have been initiated. Those individuals are also reported to the self-regulatory organization exercising primary examining authority for appropriate action by the organization. Trustees appointed to administer customer protection proceedings and SIPC personnel cooperate with the SEC and with law enforcement authorities in their investigations of possible violations of law.

Criminal and Administrative Actions

Administrative and/or criminal actions were initiated in 289 of the 330 SIPC proceedings commenced since enactment of the Securities Investor Protection Act in December 1970.

Actions initiated through December 31, 2022 were as follows:

Action Initiated	Number of Actions
Joint SEC/Self-Regulatory Administrative Actions	61
Exclusive SEC Administrative Actions	42
Exclusive Self-Regulatory Administrative Actions	57
Criminal and Administrative Actions	103
Criminal Actions Only	28
Total	291*

*In one or more proceedings multiple types of actions were initiated.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Securities Investor Protection Corporation

Opinion
We have audited the financial statements of Securities Investor Protection Corporation (the "Corporation"), which comprise the statement of financial position as of December 31, 2022, and the related statement of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion
We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud

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may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Arlington, Virginia
April 14, 2023

Statement of Financial Position as of December 31, 2022

ASSETS	
Cash	$ 2,093,371
U.S. Government securities, at fair value and accrued interest receivable of ($23,009,752); (amortized cost $4,410,729,493) (Note 6)	4,051,060,911
Estimated member assessments receivable (Note 3)	174,484,364
Advances to trustees for customer protection proceedings in progress, less allowance for possible losses ($2,873,632,363) (Note 4)	2,100,000
Assets held for deferred compensation and pension plans (Note 8)	4,221,466
Other (Note 5 and Note 9)	3,801,745
	$4,237,761,857
LIABILITIES AND NET ASSETS	
Accrued costs for other postretirement benefits (Note 8)	$ 6,922,446
Amount due on deferred compensation plan (Note 8)	2,237,489
Accounts payable and other accrued expenses	1,498,285
Deferred rent (Note 5)	4,073,205
Estimated costs to complete customer protection proceedings in progress (Note 4)	673,200,000
Member assessments received in advance (Note 3)	3,010,074
	690,941,499
Unrestricted net assets	3,546,820,358
	$4,237,761,857

The accompanying notes are an integral part of these statements.

Statement of Activities for the year ended December 31, 2022

Revenues:	
Member assessments (Note 3)	$ 382,258,690
Interest on U.S. Government securities	81,397,276
	463,655,966
Expenses:	
Salaries and employee benefits (Note 8)	13,730,177
Legal and accounting fees (Note 4)	336,960
Rent (Note 5)	983,293
Other	5,744,873
	20,795,303
Provision for estimated costs to complete customer protection proceedings in progress (Note 4)	109,408,826
	$ 130,204,129
Excess revenues over expenses	333,451,837
Realized and unrealized loss on U.S. Government securities (Note 6)	(447,552,259)
Pension and postretirement benefit changes other than net periodic costs (Note 8)	(6,676,331)
Decrease in unrestricted net assets	(120,776,753)
Unrestricted net assets, beginning of year	3,667,597,111
Unrestricted net assets, end of year	$3,546,820,358

The accompanying notes are an integral part of these statements.

Statement of Cash Flows for the year ended December 31, 2022

Operating activities:	
Interest received from U.S. Government securities	$ 78,921,122
Member assessments received	415,543,390
Advances paid to trustees	(134,656,848)
Recoveries of advances	4,848,023
Salaries and other operating activities expenses paid	(22,497,556)
Net cash provided by operating activities	342,158,131
Investing activities:	
Proceeds from sales of U.S. Government securities	977,706,852
Purchases of U.S. Government securities	(1,333,594,895)
Purchases of furniture and equipment	
Net cash used in investing activities	(355,888,043)
Decrease in cash	(13,729,912)
Cash beginning of period	15,823,283
Cash, end of period	$ 2,093,371

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

1. Organization and general

The Securities Investor Protection Corporation (SIPC) was created by the Securities Investor Protection Act of 1970 (SIPA), which was enacted on December 30, 1970, primarily for the purpose of providing protection to customers of its members. SIPC is a nonprofit membership corporation and shall have succession until dissolved by an Act of Congress. Its members include all persons registered as brokers or dealers under Section 15(b) of the Securities Exchange Act of 1934, except for those persons excluded under SIPA.

SIPC is exempt from income taxes under 15 U.S.C. § 78kkk(e) and under § 501(c)(6) of the Internal Revenue Code. Accordingly, no provision for income taxes is required.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. The "SIPC Fund" and SIPC's liquidity

The "SIPC Fund," as defined by SIPA, consists of cash and U.S. Government securities aggregating $4,053,154,282. Together with the estimated member assessments receivable of $174,484,364 and advances to trustees for customer protection proceedings in progress (less allowance for possible losses) of $2,100,000, SIPC's financial assets available for general expenditures within one year of the December 31, 2022 statement of financial position date total $4,229,738,646.

As part of its liquidity management, SIPC has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In the event the SIPC Fund is or may reasonably appear to be insufficient for the purposes of SIPA, the Securities and Exchange Commision (SEC) is authorized to make loans to SIPC and, in that connection, the SEC is authorized to issue notes or other obligations to the Secretary of the Treasury in an aggregate amount not to exceed $2.5 billion.

3. Member assessments

Section 78ddd(c) and (d) of SIPA states that SIPC shall, by bylaw, impose upon its members such assessments as, after consultation with self-regulatory organizations, SIPC may deem necessary and appropriate to establish and maintain the SIPC Fund and to repay any borrowings by SIPC. If the balance of the SIPC Fund aggregates less than $100,000,000, SIPC shall impose upon each of its members an assessment at a rate of not less than one-half of 1 per centum per annum. An assessment may be made at a rate in excess of one-half of 1 per centum if SIPC determines, in accordance with a bylaw, that such rate of assessment will not have a material adverse effect on the financial condition of its members or their customers, except that no assessments shall exceed one per centum of such member's gross revenues from the securities business. Effective April 1, 2009, each member's assessment was established by bylaw at the rate of one-quarter of 1 per centum of net operating revenues from the securities business or $150, whichever was greater. Effective July 22, 2010, the $150 minimum assessment was eliminated by the Dodd- Frank Wall Street Reform and Consumer Protection Act. Effective January 1, 2017, the assessment rate is 0.15 per centum. Member assessments received in advance will be applied to future assessments and are not refundable except to terminated members. Estimated member assessments receivable represents assessments on members' revenue for calendar 2022 but not received, or expected to be received, until 2023.

4. Customer protection proceedings

In the Bernard L. Madoff Investment Securities LLC proceeding, the Trustee, utilizing the customer records available from the computer files of the firm, identified those accounts believed to be valid customers accounts. In accordance with Section 78*lll*(2) of SIPA, the definition of a "customer" includes a "person who had deposited cash with the debtor for the purpose of purchasing securities." The customer can be an individual, a corporation, a partnership, a pension plan or a "feeder fund." The Trustee then calculated the "net cash" positions (cash deposited less cash withdrawn) for each customer's account and, where available, this information was compared to other source documentation including banking records and customer portfolio files. Based on that valuation, the Trustee determined the customer's net equity and maximum claim allowed under SIPA. Management estimates and records a charge for this and other proceedings, including legal and administrative costs, at the amounts which can reasonably be estimated based on available information provided by the Trustees. Management estimates the total charges to SIPC for the Madoff proceeding to be approximately $3.5 billion.* As actual claims were processed, the Trustee determined the ultimate amount of payment for each claim and the associated legal and administrative costs incurred. Claims can be disputed, which among other factors, could cause the ultimate amount of the claims, and associated legal and administrative costs, to differ from the current estimate. Quantifying the liability associated with proceedings is subject to a number of uncertainties, however, while additional losses beyond those recorded are probable, the additional amount is not currently estimable. Any changes in the estimate will be accounted for prospectively. Recoveries on this and other proceedings are recorded as a reduction to the provision for estimated costs when realized, which occurs when notification is received from the Trustee.

SIPC has advanced a net of $2.88 billion for proceedings in progress to carry out its statutory obligation to satisfy customer claims and to pay administration expenses. Of this amount, $2.87 billion is not expected to be recovered.

Customer payments and related expenses of direct payment proceedings are recorded as expenses as they are incurred.

Legal and accounting fees include fees and expenses of litigation related to proceedings.

These financial statements do not include accountability for assets and liabilities of members being liquidated by SIPC as Trustee. Such accountability is reflected in reports required to be filed with the courts having jurisdiction.

The following table summarizes transactions during the year ended December 31, 2022 that result from these proceedings:

*Subsequent judicial opinions may result in fluctuations in this number.

	Customer Protection Proceedings	
	Advances to trustees, less allowance for possible losses	Estimated costs to complete
Balance, beginning of year	$4,700,000	$696,200,000
Add:		
Provision for current year recoveries	100,000	—
Provision for estimated future recoveries	2,100,000	—
Provision for estimated costs to complete proceedings	—	111,600,000
Less:		
Recoveries	4,800,000	—
Advances to trustees	—	134,600,000
Balance, end of year	$2,100,000	$673,200,000

5. Leases

SIPC adopted ASU 2016-02, *Leases (Topic 842)* as of January 1, 2022. Prior to the adoption of ASC 842, SIPC recognized rent expense on a straight line basis under ASC 840. After the adoption of this standard, SIPC determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether SIPC controls the use of the identified asset throughout the period of use. SIPC classifies leases as either financing or operating. Right-of-use ("ROU") assets are recognized at the lease commencement date and represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments arising from the lease and are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term using a risk-free rate.

Upon adoption, ASC 842 had an impact in SIPC's consolidated balance sheet and in its consolidated statement of operations. As part of the transition, SIPC elected the following practical expedients:

- Package of practical expedients which eliminates the need to reassess (1) whether any expired or existing contracts are or contain leases; (2) the lease classification for any expired or existing leases; and (3) the initial direct costs for any existing leases.
- The practical expedient whereby the lease and non-lease components will not be separated for all classes of assets.
- Not to recognize ROU assets and corresponding lease liabilities with a lease term of 12 months or less from the lease commencement date.
- Risk-free rate (daily treasury par yield curve rate) for operating lease liabilities.

For existing leases, SIPC did not elect the use of hindsight and did not reassess lease term upon adoption.

SIPC recorded the opening ROU asset balance based on its remaining deferred rent liabilities. On January 1, 2022, SIPC recorded $3,683,512 in operating lease ROU assets and operating lease liabilities. The adoption of ASC 842 and transition from ASC 840 did not materially impact SIPC's profit and loss statement for the year ended December 31, 2022.

The components of lease cost for operating leases are as follows as of December 31, 2022:

	2022
Operating lease cost	$ 903,169
Short-term lease cost	210,846
Variable lease costs	0
Total	$ 1,114,015

The lease costs are reflected on the consolidated statement of activities in the rent expense line.

Supplemental cash flow information related to leases during 2022 includes cash paid for leases in the amount of $1,197,934 under operating activities in the salaries and other operating activities expenses paid line.

The weighted-average remaining lease term (in years) is 3.56 and weighted-average discount rate was 1.35% as of December 31, 2022.

Future undiscounted lease payments for the Company's operating lease liabilities are as follows as of December 31, 2022:

	Amount
2023	$ 1,214,168
2024	1,088,185
2025	1,115,412
2026	754,362
Total future lease payments	4,172,127
Less: imputed interest	(98,922)
Present value of operating lease liabilities	$ 4,073,205

6. Fair value of securities

FASB ASC 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SIPC has the ability to access.

Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

The fair value of U.S. Government securities is based on the bid quote as of December 31, 2022 as reported by a third party pricing service. As a bid quote on U.S. Government securities varies substantially among market makers, the fair value bid quote is considered a Level 2 input under the guidance. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there isn't sufficient activity, and/or where price quotations vary substantially either over time or among market makers, or in which little information is released publicly. As of December 31, 2022, all securities held within the portfolio are priced using Level 2 inputs.

U.S. Government securities as of December 31, 2022 included cumulative gross unrealized gains of $4,407 and cumulative gross unrealized losses of $359,712,989.

7. Reconciliation of increase in unrestricted net assets to net cash provided by operating activities:

Decrease in unrestricted net assets	$ (120,776,753)
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:	
Realized and unrealized loss on U.S. Government securities	447,552,259
Net amortized discount on U.S. Government securities	1,910,009
Depreciation and amortization	298,763
Changes in operating assets and liabilities:	
Decrease in estimated assessment receivable	35,060,700
Net decrease in estimated cost to complete customer protection proceedings	(23,000,000)
Increase in accrued interest receivable on U.S. Government securities	(4,386,162)
Decrease in prepaid expenses	4,106,002
Net decrease in estimated recoveries of advances to trustees	2,600,000
Increase in deferred rent	2,547,179
Decrease in payables and accrued expenses	(1,974,177)
Decrease in member assessments collected in advance	(1,779,689)
Net cash provided by operating activities	$342,158,131

8. Pensions and other postretirement benefits

SIPC has a noncontributory defined benefit plan and a contributory defined contribution plan which cover all employees. SIPC also has a supplemental non-qualified retirement plan for certain employees. The $2,237,489 year-end market value of the supplemental plan is reflected as a deferred compensation asset and as a deferred compensation liability in the Statement of Financial Position. In addition, SIPC has two defined benefit postretirement plans that cover all employees. One plan provides medical and dental insurance benefits and the other provides life insurance benefits. The postretirement health care plan is contributory, with retiree contributions adjusted annually to reflect changes in gross premiums; the life insurance plan is noncontributory.

SIPC is required to recognize the overfunded or underfunded status of the defined benefit plans as an asset or liability in the Statement of Financial Position and to recognize the funded status in the year in which the change occurs through the Statement of Activities. In addition, SIPC is required to recognize within the Statement of Activities, gains and losses due to differences between actuarial assumptions and actual experience and any effects on prior service due to plan amendments that arise during the period and which are not being recognized as net periodic benefit costs.

	Pension Benefits	Other Postretirement Benefits
Change in Benefit Obligation		
Benefit obligation at beginning of year	$76,966,985	$ 8,308,826
Service cost	2,452,172	398,731
Interest cost	2,194,308	246,172
Plan participants' contributions	—	48,709
Amendments	—	—
Actuarial (gain)	(15,382,164)	(1,865,979)
Benefits paid	(2,462,510)	(214,013)
Benefit obligation at end of year	$63,768,791	$ 6,922,446
Change in Plan Assets		
Fair value of plan assets at beginning of year	$85,530,339	$ —
Actual return (loss) on plan assets	(19,815,060)	—
Employer contributions prior to measurement date	—	—
Employer contributions	2,500,000	165,304
Plan participants' contributions	—	48,709
Benefits paid	(2,462,510)	(214,013)
Fair value of plan assets at end of year	$65,752,769	$ —
Funded status	$ 1,983,978	$(6,922,446)
Employer contributions between measurement and statement date	—	—
Funded status at year end	$ 1,983,978	$(6,922,446)
Amounts recognized in the Statement of Financial Position and net assets consist of:		
Net amount recognized in the Statement of Financial Position	$ 1,983,978	$(6,922,446)
Accumulated benefit obligation end of year	$60,792,899	$ 6,922,446

	Pension Benefits	Other Postretirement Benefits
Weighted-average assumptions for disclosure as of December 31, 2022		
Discount rate	5.30%	5.30%
Salary scale 2022 / thereafter	3.75% / 4.00%	N/A
Health Care Cost Trend: Initial Pre-65/Post-65	N/A	7.50%/5.50%
Health Care Cost Trend: Ultimate	N/A	4.50%
Year Ultimate Reached: Initial Pre-65/Post-65	N/A	2035 / 2033
Components of net periodic benefit cost and other amounts recognized within the Statement of Activities		
Net periodic benefit cost		
Service cost	$ 2,452,172	$ 398,731
Interest cost	2,194,308	246,172
Expected return on plan assets	(4,211,787)	—
Recognized prior service credit	—	(3,969)
Recognized actuarial loss	103,714	2,628
Net periodic benefit cost	538,407	643,562
Pension and other postretirement benefit changes other than net periodic benefit cost		
Net actuarial (gain) loss	8,644,683	(1,865,979)
Recognized actuarial loss	(103,714)	(2,628)
Prior service cost	—	—
Recognized prior service credit	—	3,969
Total pension and postretirement benefit changes other than net periodic cost	8,540,969	(1,864,638)
Total net periodic other benefit cost and pension and other postretirement benefits changes other than net periodic benefit cost	$ 9,079,376	$ (1,221,076)
Weighted-average assumptions for net periodic cost as of December 31, 2022		
Discount rate	2.90%	3.00%
Expected asset return	5.00%	N/A
Salary scale 2022 / thereafter	3.75% / 4.00%	N/A
Health Care Cost Trend: Initial Pre-65/Post-65	N/A	6.75% / 5.25%
Health Care Cost Trend: Ultimate	N/A	4.50%
Year Ultimate Reached: Initial Pre-65/Post-65	N/A	2031 / 2025

For the pension plan, the change in unrecognized net gain/loss is one measure of the degree to which important assumptions have coincided with actual experience. During 2022, the unrecognized net loss increased by 11.1% of the 12/31/2021 projected benefit obligation primarily due to the lower than expected return on assets, higher than expected COLA and other unfavorable plan experience, offset by changes in assumptions, primarily higher discount rate decrease to unrecognized loss.

The discount rate was determined by projecting the plan's expected future benefit payments as defined for the projected benefit obligation, discounting those expected payments using a theoretical zero-coupon spot yield curve derived from a universe of high-quality bonds as of the measurement date, and solving for the single equivalent discount rate that resulted in the same projected benefit obligation. A 1% increase/(decrease) in the discount rate would have (decreased)/increased the net periodic benefit cost for 2022 by ($250,000)/$1,437,000 and (decreased)/increased the year-end projected benefit obligation by ($7.1)/$8.8 million.

Asset Summary

Asset Category	Quoted Prices in Active Markets for Identical Assets (Level 1)
Equity securities:	
U.S. large and multi-cap mutual funds	$16,657,369
Non-U.S. large and multi-cap mutual funds	10,038,488
Total Equity	26,695,857
Fixed Income securities:	
U.S. Treasuries/Government & corporate bond mutual funds	39,056,912
Total Fixed Income	39,056,912
Total	$65,752,769

Expected Return on Assets

The expected return on the pension plan assets was determined based on historical and expected future returns of the various asset classes using the target allocations described below. A 1% increase/(decrease) in the expected return assumption would have (decreased)/increased the net periodic benefit cost for 2022 by $843,000.

Investment Policy

The plan's investment policy includes a dynamic asset allocation that reduces equity exposure as the plan becomes better funded to protect the plan funded status against changes in interest rates. The plan's assets are currently invested in funds representing most standard equity and debt security classes.

Pension Plan Asset Category	Expected Long-Term Return	Target Allocation	Actual Allocation 12/31/2022
Equity securities	7.50%	35–45%	41%
Debt securities	3.50%	55–65%	59%
Total	5.00%	100%	100%

Estimated Future Benefit Payments
Estimated future benefit payments, including future benefit accrual

	Pension	Other Benefits
2023	$ 3,122,776	$ 262,674
2024	$ 3,315,764	$ 269,182
2025	$ 3,797,019	$ 344,015
2026	$ 3,906,563	$ 354,877
2027	$ 4,003,005	$ 356,301
2028–2032	$21,863,102	$2,319,093

Contributions

The company expects to make no contributions to the pension plan in 2023 for the 2022 plan year and $233,000 to the postretirement benefit plan during 2023.

Defined Contribution Plan	
SIPC contributions (60% of employee contributions, up to 3.6% of compensation)	$ 296,000

9. Fixed Assets

SIPC's policy is to capitalize fixed assets costing $2,500 or more, and to depreciate those assets using a straight-line depreciation method of five years for equipment and ten years for furniture. Leasehold improvements are amortized over the shorter of their economic life or the term of the lease. The equipment, furniture, and leasehold improvements listed below are included in "Other" assets within the Statement of Financial Position.

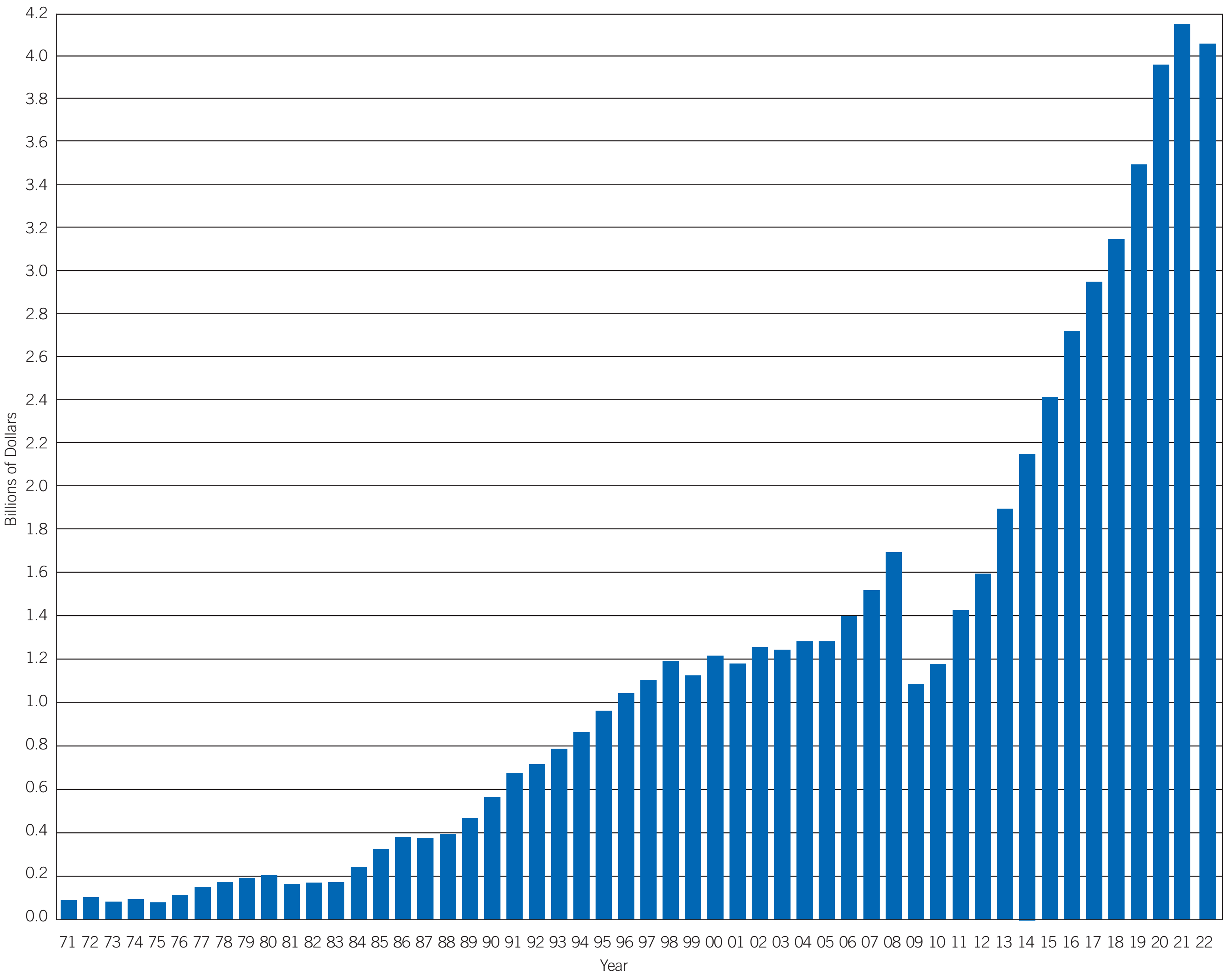
10. Subsequent Events

SIPC evaluated its December 31, 2022 financial statements for subsequent events through April 14, 2023 the date the financial statements were available to be issued. SIPC is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Fixed Assets	
Office equipment at cost	$ 68,464
Computer hardware at cost	3,417,852
Computer software at cost	1,811,815
Office furniture and fixtures at cost	1,215,134
Leasehold improvements at cost	1,519,498
Total fixed assets at cost	8,032,763
Less accumulated depreciation and amortization	(7,391,042)
Net fixed assets	$ 641,721
2022 depreciation and amortization expense	$ 298,763

TABLE 5

SIPC Fund Comparison
Inception to December 31, 2022



APPENDIX 1: Distributions for Accounts of Customers

For the Fifty-Two Years Ended December 31, 2022 (In Thousands of Dollars)

	From Debtor's Estates	From SIPC			
	As Reported by Trustees	Advances*	Recoveries*	Net	Total
1971	$ 271	$ 401		$ 401	$ 672
1972	9,300	7,347	$ (4)	7,343	16,643
1973	170,672	35,709	(4,003)	31,706	202,378
1974	21,582	4,903	(5,125)	(222)	21,360
1975	6,379	6,952	(2,206)	4,746	11,125
1976	19,901	1,292	(528)	764	20,665
1977	5,462	2,255	(2,001)	254	5,716
1978	1,242	4,200	(1,682)	2,518	3,760
1979	9,561	1,754	(6,533)	(4,779)	4,782
1980	10,163	3,846	(998)	2,848	13,011
1981	36,738	64,311	(1,073)	63,238	99,976
1982	28,442	13,807	(4,448)	9,359	37,801
1983	21,901	52,927	(15,789)	37,138	59,039
1984	184,910	11,480	(13,472)	(1,992)	182,918
1985	180,973	19,400	(11,726)	7,674	188,647
1986	28,570	14,886	(4,414)	10,472	39,042
1987	394,443	20,425	(2,597)	17,828	412,271
1988	72,052	8,707	(10,585)	(1,878)	70,174
1989	121,958	(5,481)	(10,244)	(15,725)	106,233
1990	301,237	3,960	(4,444)	(484)	300,753
1991	1,943	6,234	(2,609)	3,625	5,568
1992	34,634	7,816	(230)	7,586	42,220
1993	115,881	4,372	(9,559)	(5,187)	110,694
1994	(14,882)[#]	(1,283)	(3,829)	(5,112)	(19,994)
1995	585,756	17,850	(4,196)	13,654	599,410
1996	4,770	(1,491)	(10,625)	(12,116)	(7,346)
1997	314,813	22,366	(4,527)	17,839	332,652
1998	3,605	4,458	(1,571)	2,887	6,492
1999	477,635	47,360	(7,460)	39,900	517,535
2000	364,065	26,330	(3,413)	22,917	386,982
2001	10,110,355	200,967	(87,538)	113,429	10,223,784
2002	606,593	40,785	(5,812)	34,973	641,566
2003	(643,242)[#]	22,729	(4,425)	18,304	(624,938)
2004	209,025	(11,662)[#]	(37,700)	(49,362)	159,663
2005	(24,245)[#]	1,175	(4,342)	(3,167)	(27,412)
2006	1,635,006	2,653	(51,942)	(49,289)	1,585,717
2007	1,167	7,054	(6,624)	430	1,597
2008	144,265,058	1,982	(709)	1,273	144,266,331
2009	(52,025,582)[@]	543,280	(213)	543,067	(51,482,515)
2010	579,035	217,842	(1,824)	216,018	795,053
2011	8,169,689	32,678	(94)	32,584	8,202,273
2012	3,217,290	19,338	(1,774)	17,564	3,234,854
2013	12,411,307	8,646	(118,084)	(109,438)	12,301,869
2014	924,822	16,099	(11,709)	4,390	929,212
2015	4,247,436	10,169[#]	(11,457)	(1,288)	4,246,148
2016	(608,091)[#]	8,188	(45,870)	(37,682)	(645,773)
2017	1,166,245	4,024	(11,175)	(7,151)	1,159,094
2018	1,103,404	2,956	(24,409)	(21,453)	1,081,951
2019	1,644,784	3,781	(17,969)	(14,188)	1,630,596
2020	369,892	1,139	(14,933)	(13,794)	356,098
2021	231,362	530	(10,792)	(10,262)	221,100
2022	167,316		(4,840)	(4,840)	162,476
	$141,272,603	$1,541,446	$(624,126)	$917,320	$142,189,923

* Advances and recoveries not limited to cases initiated this year.

[#] Reflects adjustments to customer distributions based upon Trustees' revised allocation.

[@] Reflects adjustment to customer distributions in the Lehman Brothers Inc. customer protection proceeding based upon Trustee's revised allocation.

APPENDIX 2: Analysis of SIPC Revenues and Expenses

For the Five Years Ended December 31, 2022

	2022	2021	2020	2019	2018
Revenues:					
Member assessments and contributions	$382,258,690	$448,000,014	$402,543,976	$317,610,000	$291,940,037
Interest on U.S. Government securities	81,252,740	72,915,767	72,341,920	75,629,051	63,840,516
Interest on assessments	144,536	55,897	95,833	183,399	66,222
	463,655,966	520,971,678	474,981,729	393,422,450	355,846,775
Expenses:					
Salaries and employee benefits	13,730,177	13,132,372	13,113,285	12,537,157	12,363,503
Legal fees	119,206	61,211	96,986	183,709	157,070
Accounting fees	217,754	180,443	175,245	162,511	185,898
Professional fees—other	2,760,065	2,912,782	1,668,646	929,404	498,583
Other:					
Assessment collection cost		15,174	33,924	36,807	25,015
Depreciation and amortization	298,763	306,758	458,051	617,859	672,878
Directors' fees and expenses	100,228	52,000	21,057	40,163	32,563
Insurance	207,732	148,589	79,500	37,200	38,193
Investor education	159,454	228,357	319,974	148,862	228,053
Office supplies and expense	250,756	175,433	219,738	470,710	209,069
EDP and internet expenses	1,505,228	1,218,879	1,123,508	1,258,469	1,046,396
Postage	7,527	2,226	3,215	6,330	7,964
Printing & mailing annual report	15,323	15,299	29,852	29,254	29,122
Publications and reference services	250,621	317,496	330,481	331,361	466,237
Rent office space	983,293	995,613	962,241	1,005,684	1,021,065
Travel and subsistence	44,217	5,486	21,885	149,745	124,915
Personnel recruitment	135,782	154,986		29,934	221,600
Miscellaneous	9,177	9,810	24,827	49,488	35,771
	3,968,101	3,646,106	3,628,253	4,211,866	4,158,841
	20,795,303	19,932,914	18,682,415	18,024,647	17,363,895
Customer protection proceedings:					
Net advances to (recoveries from):					
Trustees other than SIPC:					
Securities	(4,714,197)	(9,900,767)	(13,494,404)	(14,144,107)	(21,008,817)
Cash	(1,992)	(336,862)	(2)	(8,152)	(13,760)
	(4,716,189)	(10,237,629)	(13,494,406)	(14,152,259)	(21,022,577)
Administration expenses	134,654,476	127,802,790	135,123,659	140,025,745	143,305,093
	129,938,287	117,565,161	121,629,253	125,873,486	122,282,516
Net change in estimated future recoveries	2,600,000	5,700,000	4,200,000	3,300,000	5,900,000
	132,538,287	123,265,161	125,829,253	129,173,486	128,182,516
SIPC as Trustee:					
Securities	(124,970)	(24,226)	(16,088)	(34,653)	(28,395)
Cash	(366)	(1,954)	(284,025)	(953)	(570,001)
	(125,336)	(26,180)	(300,113)	(35,606)	(598,396)
Administration expenses	(4,125)	(4,125)	(30,676)	(82,495)	748,529
	(129,461)	(30,305)	(330,789)	(118,101)	150,133
Direct payments:					
Securities					
Cash					168,951
					168,951
Administration expenses					962
					169,913
Net change in estimated cost to complete proceedings	(23,000,000)	116,800,000	(133,100,000)	(171,300,000)	36,500,000
	109,408,826	240,034,856	(7,601,536)	(42,244,615)	165,002,562
	130,204,129	259,967,770	11,080,879	(24,219,968)	182,366,457
Total net revenues	333,451,837	261,003,908	463,900,850	417,642,418	173,480,318
Realized and unrealized (loss) gain on U.S. Government securities	(447,552,259)	(154,703,047)	166,303,052	115,979,049	(18,197,141)
Pension and postretirement benefit changes other than net periodic benefit costs	(6,676,331)	6,248,553	1,932,568	(3,597,040)	1,705,080
Increase (decrease) in net assets	($120,776,753)	$112,549,414	$632,136,470	$530,024,427	$156,988,257

PART A: Customer Claims and Distributions Being Processed[(a)]

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers[(b)] To Whom Notices and Claim Forms Were Mailed	Responses[(b)] Received	Customers[(b)] Receiving Distributions
Bernard L. Madoff Investment Securities LLC New York, NY (Irving H. Picard, Esq.)	01/19/60	12/11/08	12/15/08	8,110	16,521*	2,655
TOTAL 1 MEMBER: PART A				**8,110**	**16,521**	**2,655**

* Includes duplicate claims filed for 3,385 Active Accounts.

December 31, 2022

	Distribution of Assets Held by Debtor[c]		SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$13,502,286,751	$13,480,842,468	$21,444,283	$2,875,732,363	$2,278,905,623		$596,826,740	
$13,502,286,751	**$13,480,842,468**	**$21,444,283**	**$2,875,732,363**	**$2,278,905,623**		**$596,826,740**	

PART B: Customer Claims Satisfied, Litigation or Administrative Matters Pending[a]

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers[b] To Whom Notices and Claim Forms Were Mailed	Responses[b] Received	Customers[b] Receiving Distributions
TOTAL 0 MEMBER: PART B						

December 31, 2022

Distribution of Assets Held by Debtor[c]			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash

PART C: Proceedings Completed in 2022

Member and Trustee By Date of Appointment	Date Registered as Broker-Dealer	Filing Date	Trustee Appointed	Customers[b] To Whom Notices and Claim Forms Were Mailed	Responses[b] Received	Customers[b] Receiving Distributions
Lehman Brothers Inc. New York, NY (James W. Giddens, Esq.)	03/27/65	09/19/08	09/19/08	905,000	124,248	111,888
TOTAL 1 MEMBER 2022				**905,000**	**124,248**	**111,888**
TOTAL 328 MEMBERS 1973–2021[d]				**2,304,381**	**478,008**	**658,517**
TOTAL 329 MEMBERS 1973–2022				**3,209,381**	**602,256**	**770,405**

December 31, 2022

Distribution of Assets Held by Debtor[c]			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$107,211,976,631	$105,773,207,834	$1,438,768,797					
107,211,976,631	**105,773,207,834**	**1,438,768,797**					
22,688,374,975	**22,018,552,442**	**669,822,534**	**$535,294,885**	**$214,802,100**	**$1,388,427**	**$186,485,067**	**$132,619,291**
$129,900,351,606	**$127,791,760,276**	**$2,108,591,331**	**$535,294,885**	**$214,802,100**	**$1,388,427**	**$186,485,067**	**$132,619,291**

PART D: Summary

	Customers[b] To Whom Notices and Claim Forms Were Mailed	Responses[b] Received	Customers[b] Receiving Distributions
Part A: 1 Member — Customer Claims and Distributions Being Processed	8,110	16,521	2,655
Part B: 0 Member — Customer Claims Satisfied, Litigation or Administrative Matters Pending			
Sub-Total	8,110	16,521	2,655
Part C: 329 Members — Proceedings Completed	3,209,381	602,256	770,405
Total: 330	**3,217,491**	**618,777**	**773,060**

Appendix 3 notes:

(a) Based upon information available at year-end and subject to adjustments until the case is closed.

(b) SIPA requires notice to be mailed to each person who appears to have been a customer of the debtor with an open account within the past twelve months. In order to be sure that all potential claimants have been advised of the liquidation proceeding, trustees commonly mail notice and claim forms to all persons listed on the debtor's records, even if it appears that their accounts have been closed. As a result, many more claim forms are mailed than are received. Responses Received usually exceeds Customers Receiving Distributions because responses are commonly received from customers whose accounts were previously delivered to another broker or to the customer. Responses are also received from persons who make no claim against the estate, or whose accounts net to a deficit, or who file late, incorrect, or invalid claims. The number of Customers Receiving Distributions can exceed Responses Received when the trustee transfers accounts in bulk to other brokers before claims are filed.

(c) Includes assets marshalled by Trustee after filing date and does not include payments to general creditors.

(d) Revised from previous reports to reflect subsequent recoveries, disbursements and adjustments.

December 31, 2022

Distribution of Assets Held by Debtor[c]			SIPC Advances				
Total	For Accounts of Customers	Administration Expenses	Total Advanced	Administration Expenses	Contractual Commitments	Securities	Cash
$ 13,502,286,751	$ 13,480,842,468	$ 21,444,283	$2,875,732,363	$2,278,905,623		$596,826,740	
13,502,286,751	13,480,842,468	21,444,283	2,875,732,363	2,278,905,623		596,826,740	
129,900,351,606	127,791,760,276	2,108,591,331	535,294,885	214,802,100	$1,388,427	186,485,067	$132,619,291
$143,402,638,357	**$141,272,602,744**	**$2,130,035,614**	**$3,411,027,248**	**$2,493,707,723**	**$1,388,427**	**$783,311,807**	**$132,619,291**

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