



How SIPC Protects You

Understanding
the Securities
Investor
Protection
Corporation



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SIPC Is Here To Help You

SIPC has been protecting investors since 1970.

The Role of SIPC

When a brokerage is closed and customer assets are missing, SIPC steps in and, within certain limits, works to return customers' cash, stock, and other securities held at the firm. SIPC is the first line of defense when a brokerage firm fails owing customers cash and securities.

Although not every investor is protected by SIPC, no fewer than 99 percent of persons who are eligible get back their investments. Since its creation by Congress in 1970, SIPC has advanced over \$2.3 billion in order to make possible the recovery of at least \$134 billion in assets for no fewer than 773,000 investors. Without SIPC, investors at financially troubled brokerage firms might lose their investments forever.

Not every investor, and not every loss, is protected by SIPC. Read this brochure carefully to learn about the limits of protection.

Important Notice

The Securities Investor Protection Act of 1970 (SIPA) is a complex and technical statute. This brochure provides a basic explanation of SIPC and SIPA. However, it does not explain the SIPA statute with respect to any particular fact pattern. Answers to questions involving particular facts depend upon interpretations of the law, administrative decisions, and court actions.

The U.S. Securities and Exchange Commission's Office of Investor Education and Advocacy has reviewed this publication. The SEC does not endorse the commercial activities, products, or members of this or any other private organization.

Text of this brochure issued by SIPC and only SIPC may make changes.

What SIPC Protects...

and What it Does Not Protect

When a brokerage firm is closed and customer assets are missing, SIPC steps in, and within certain limits, works to return customers' cash, stock, and other securities held by the firm.

If a firm closes, SIPC protects the securities and cash in a customer's brokerage account up to \$500,000. The \$500,000 protection includes up to \$250,000 protection for cash in the account.

SIPC protects customers if:

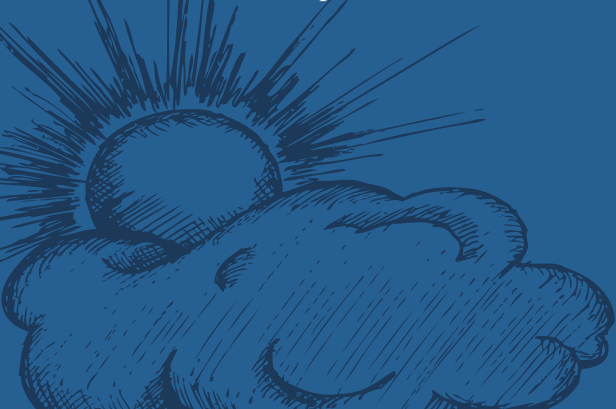
- The brokerage firm is a SIPC member.
- The customer has securities at the brokerage firm.
- The customer has cash at the brokerage firm on deposit in connection with the purchase or sale of a security.

SIPC protection is only available if the brokerage firm fails and SIPC steps in.

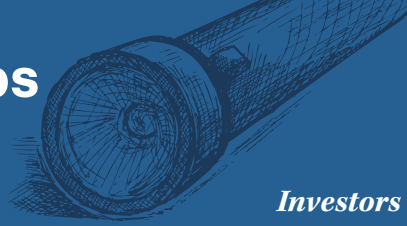
SIPC does NOT protect:

- Investments if the firm is not a SIPC member.
- Market loss.
- Promises of investment performance.
- Commodities or futures contracts except under certain conditions.

SIPC does not protect market losses because market losses are a normal part of the ups and downs of the risk-oriented world of investing. Instead, in a liquidation, SIPC replaces the missing stock and other securities when it is possible to do so.



How SIPC Helps



When SIPC Gets Involved

When a SIPC member brokerage firm fails and owes customers cash and securities that are missing from customer accounts, SIPC receives a referral from the U.S. Securities and Exchange Commission (SEC) or the Financial Industry Regulatory Authority (FINRA). With this referral and if grounds exist to start a liquidation, SIPC may ask a federal court to appoint a Trustee to liquidate the firm for the protection of customers. With smaller brokerage firm failures, SIPC sometimes deals directly with customers in an out-of-court direct payment procedure.

Up to \$500,000 for Securities

SIPC protects customers against the loss of their stocks, bonds, Treasury securities, certificates of deposit, mutual funds, money market mutual funds, and certain other investments as “securities,” held for them by the broker.

SIPC does NOT protect commodity futures contracts (unless held in a special portfolio margining account), foreign exchange trades, fixed annuity contracts, or investment contracts (such as limited partnerships) that are not registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933.

\$500,000 Limit Includes up to \$250,000 for Cash

SIPC protects cash in a customer’s brokerage firm account resulting from the sale of a customer’s securities or held in a customer’s account for the purchase of securities. Cash held in connection with a commodities trade or a currency trade is not protected by SIPC. Money market mutual funds, sometimes thought of as cash, are protected as securities by SIPC. SIPC protects cash held by the broker for customers in connection with the customers’ purchase or sale of securities whether the cash is in U.S. dollars or denominated in non-U.S. dollar currency.

Investors with Multiple Accounts

Protection of customers with multiple accounts at the same brokerage firm is determined by “separate capacity.” Each account, held by a customer in a separate capacity, is protected up to \$500,000 for securities and cash (including a \$250,000 limit for cash only). Accounts held in the same capacity at the same brokerage firm are combined for purposes of the SIPC protection limits.

Examples of separate capacities are:

- individual account;
- joint account;
- an account for a corporation;
- an account for a trust created under state law;
- an individual retirement account;
- a Roth individual retirement account;
- an account held by an executor for an estate; and
- an account held by a guardian for a ward or minor.

What Happens in a Liquidation

All eligible customers share in customer property collected by the Trustee. Because collecting this property takes time, the Trustee uses funds “advanced” by SIPC to return customers’ cash and securities, up to the limits of SIPC protection - \$500,000 for securities and cash (including a \$250,000 limit for cash only). As a result of this “advance” from SIPC, customers typically recover their cash and securities sooner. See the “How the Claims Process Works” section on SIPC’s website, www.sipc.org, for more information.

Frequently Asked Questions

How can I be sure I am dealing with a SIPC member? Does it matter?

SIPC membership is important. SIPC only protects customers of brokerage firms that are members of SIPC. SIPC loses its authority to protect customers of former SIPC members 180 days after the broker-dealer ceases to be a member of SIPC. Always look for the SIPC logo or “Member SIPC” when looking at brokerage firm advertising. The logo or “Member SIPC” should appear in signs and ads of SIPC members. If you have a question as to whether or not a brokerage firm is a member of SIPC, search the “List of Members” on www.sipc.org or call the SIPC Membership Department at (202) 371-8300.

What should I watch out for?

It is important for you to be aware of what is happening in your account. Deposits to your securities account, by check or otherwise, should not be made payable to your account executive, registered representative, or to any other individual or company. You may be asked to make the check or deposit payable to another SIPC member if your account is carried at another SIPC member that provides services for your SIPC member brokerage firm. If you are asked to make your check or deposit payable to anyone other than a SIPC member brokerage firm (such as to the issuer of the securities you are purchasing or to a bank escrow agent), these payments may not be eligible for SIPC protection. Questions should be directed to FINRA, the SEC or your state securities regulator.

Some SIPC members have affiliated or related companies or persons whose names may be similar to the name of the SIPC member, but are not members of SIPC. Some of these affiliates may even operate from the same offices or with the same employees. Be sure that each confirmation statement and each statement of account that you receive is issued by the SIPC member and not by a non-SIPC member affiliate or a related firm with a similar name.

If my brokerage firm fails and SIPC starts a liquidation, what should I do?

The most important thing to remember is that you must file a claim with the Trustee within the time limits in order to be protected by SIPC. Information about brokerage firm liquidations, filing a claim, and time limits is available on SIPC’s website, www.sipc.org, and in the brochure “The Investor’s Guide to Brokerage Firm Liquidations.”

How will I prove what the broker owes me?

When you fill out the claim form, you are asked to describe the cash and securities owed to you. The Trustee will compare what you claim against the books and records of the brokerage firm. If you complained in writing about the handling of your account, you should also include that information with your claim. If needed, the Trustee may ask you for more information. You should keep copies of trade confirmations and your latest monthly or quarterly statement of account from your brokerage firm in case these documents are needed by the Trustee.

Avoid Investment Fraud

SIPC urges all investors to understand the dangers of investment fraud. Brokers are required to issue confirmations of transactions and account statements at appropriate intervals. You should always review your confirmations and statements carefully when they arrive. Verify that the confirmations and statements properly reflect all activity in your account. Check to see if the statements you receive accurately reflect your understanding of what cash and securities are in your account.

If you discover an error in a trade confirmation or brokerage statement, you should immediately bring the error to the attention of the brokerage firm in writing. Unless you complain in writing, your eligibility for SIPC protection may be compromised. If you do not receive a timely trade confirmation you should also bring this to the attention of the brokerage firm. Complaining in writing (letter, email, etc.) is the best way to protect your interests. Keep a copy of any writing you send to the brokerage firm.

Below are some resources on investment fraud and where to turn for help:

U.S. Securities and Exchange Commission

www.sec.gov, www.investor.gov

FINRA (Financial Industry Regulatory Authority)

www.finra.org

National Fraud Information Center

www.fraud.org

Alliance for Investor Education

www.investoreducation.org

Your state securities agency See

“Contact Your Regulator” at

www.nasaa.org

Securities Industry and Financial Markets Association

www.sifma.org

U.S. Commodity Futures Trading Commission

www.cftc.gov

Canadian Investor Protection Fund

www.cipf.ca

You can also find a list of investment fraud education resources on SIPC’s website, www.sipc.org, in the “Protecting Yourself Against Fraud” section.

