

The funds of SIPC may be made available to guarantee or secure any indemnification under paragraph (2). The prior approval of SIPC to such indemnification shall be conditioned, among such other standards as SIPC may determine, upon a determination by SIPC that the probable cost of any such indemnification can reasonably be expected not to exceed the cost to SIPC of proceeding under section 78fff-3(a) of this title and section 78fff-3(b) of this title.

(Pub. L. 91-598, §8, as added Pub. L. 95-283, §9, May 21, 1978, 92 Stat. 261; amended Pub. L. 95-598, title III, §308(l), (m), Nov. 6, 1978, 92 Stat. 2675.)

PRIOR PROVISIONS

A prior section 8 of Pub. L. 91-598 was renumbered section 12 and is classified to section 78hhh of this title.

AMENDMENTS

1978—Subsecs. (a)(1), (c)(3). Pub. L. 95-598 substituted “title 11” for “the Bankruptcy Act”.

EFFECTIVE DATE OF 1978 AMENDMENT

Amendment by Pub. L. 95-598 effective Oct. 1, 1979, see section 402(a) of Pub. L. 95-598, set out as an Effective Date note preceding section 101 of Title 11, Bankruptcy.

§ 78fff-3. SIPC advances

(a) Advances for customers' claims

In order to provide for prompt payment and satisfaction of net equity claims of customers of the debtor, SIPC shall advance to the trustee such moneys, not to exceed \$500,000 for each customer, as may be required to pay or otherwise satisfy claims for the amount by which the net equity of each customer exceeds his ratable share of customer property, except that—

(1) if all or any portion of the net equity claim of a customer in excess of his ratable share of customer property is a claim for cash, as distinct from a claim for securities or options on commodity futures contracts, the amount advanced to satisfy such claim for cash shall not exceed the standard maximum cash advance amount for each such customer, as determined in accordance with subsection (d);

(2) a customer who holds accounts with the debtor in separate capacities shall be deemed to be a different customer in each capacity;

(3) if all or any portion of the net equity claim of a customer in excess of his ratable share of customer property is satisfied by the delivery of securities purchased by the trustee pursuant to section 78fff-2(d) of this title, the securities so purchased shall be valued as of the filing date for purposes of applying the dollar limitations of this subsection;

(4) no advance shall be made by SIPC to the trustee to pay or otherwise satisfy, directly or indirectly, any net equity claim of a customer who is a general partner, officer, or director of the debtor, a beneficial owner of five per centum or more of any class of equity security of the debtor (other than a nonconvertible stock having fixed preferential dividend and liquidation rights), a limited partner with a participation of five per centum or more in the net assets or net profits of the debtor, or a person

who, directly or indirectly and through agreement or otherwise, exercised or had the power to exercise a controlling influence over the management or policies of the debtor; and

(5) no advance shall be made by SIPC to the trustee to pay or otherwise satisfy any net equity claim of any customer who is a broker or dealer or bank, other than to the extent that it shall be established to the satisfaction of the trustee, from the books and records of the debtor or from the books and records of a broker or dealer or bank, or otherwise, that the net equity claim of such broker or dealer or bank against the debtor arose out of transactions for customers of such broker or dealer or bank (which customers are not themselves a broker or dealer or bank or a person described in paragraph (4)), in which event each such customer of such broker or dealer or bank shall be deemed a separate customer of the debtor.

To the extent moneys are advanced by SIPC to the trustee to pay or otherwise satisfy the claims of customers, in addition to all other rights it may have at law or in equity, SIPC shall be subrogated to the claims of such customers with the rights and priorities provided in this chapter, except that SIPC as subrogee may assert no claim against customer property until after the allocation thereof to customers as provided in section 78fff-2(c) of this title.

(b) Other advances

SIPC shall advance to the trustee—

(1) such moneys as may be required to carry out section 78fff-2(e) of this title; and

(2) to the extent the general estate of the debtor is not sufficient to pay any and all costs and expenses of administration of the estate of the debtor and of the liquidation proceeding, the amount of such costs and expenses.

(c) Discretionary advances

SIPC may advance to the trustee such moneys as may be required to—

(1) pay or guarantee indebtedness of the debtor to a bank, lender, or other person under section 78fff-1(b)(2) of this title;

(2) guarantee or secure any indemnity under section 78fff-2(f) of this title; and

(3) purchase securities under section 78fff-2(d) of this title.

(d) Standard maximum cash advance amount defined

For purposes of this section, the term “standard maximum cash advance amount” means \$250,000, as such amount may be adjusted after December 31, 2010, as provided under subsection (e).

(e) Inflation adjustment

(1) In general

Not later than January 1, 2011, and every 5 years thereafter, and subject to the approval of the Commission as provided under section 78ccc(e)(2) of this title, the Board of Directors of SIPC shall determine whether an inflation adjustment to the standard maximum cash advance amount is appropriate. If the Board of Directors of SIPC determines such an adjust-

ment is appropriate, then the standard maximum cash advance amount shall be an amount equal to—

- (A) \$250,000 multiplied by—
- (B) the ratio of the annual value of the Personal Consumption Expenditures Chain-Type Price Index (or any successor index thereto), published by the Department of Commerce, for the calendar year preceding the year in which such determination is made, to the published annual value of such index for the calendar year preceding 2010.

The index values used in calculations under this paragraph shall be, as of the date of the calculation, the values most recently published by the Department of Commerce.

(2) Rounding

If the standard maximum cash advance amount determined under paragraph (1) for any period is not a multiple of \$10,000, the amount so determined shall be rounded down to the nearest \$10,000.

(3) Publication and report to the Congress

Not later than April 5 of any calendar year in which a determination is required to be made under paragraph (1)—

- (A) the Commission shall publish in the Federal Register the standard maximum cash advance amount; and
- (B) the Board of Directors of SIPC shall submit a report to the Congress stating the standard maximum cash advance amount.

(4) Implementation period

Any adjustment to the standard maximum cash advance amount shall take effect on January 1 of the year immediately succeeding the calendar year in which such adjustment is made.

(5) Inflation adjustment considerations

In making any determination under paragraph (1) to increase the standard maximum cash advance amount, the Board of Directors of SIPC shall consider—

- (A) the overall state of the fund and the economic conditions affecting members of SIPC;
- (B) the potential problems affecting members of SIPC; and
- (C) such other factors as the Board of Directors of SIPC may determine appropriate.

(Pub. L. 91-598, §9, as added Pub. L. 95-283, §9, May 21, 1978, 92 Stat. 265; amended Pub. L. 96-433, §1, Oct. 10, 1980, 94 Stat. 1855; Pub. L. 111-203, title IX, §§929H(a), 983(a), July 21, 2010, 124 Stat. 1856, 1931.)

REFERENCES IN TEXT

This chapter, referred to in subsec. (a), was in the original “this Act”, meaning Pub. L. 91-598, Dec. 30, 1970, 84 Stat. 1636. For complete classification of this Act to the Code, see Tables.

PRIOR PROVISIONS

A prior section 9 of Pub. L. 91-598 was renumbered section 13 and is classified to section 78iii of this title.

AMENDMENTS

2010—Subsec. (a)(1). Pub. L. 111-203, §983(a), inserted “or options on commodity futures contracts” after “claim for securities”.

Pub. L. 111-203, §929H(a)(1), substituted “the standard maximum cash advance amount for each such customer, as determined in accordance with subsection (d)” for “\$100,000 for each such customer”.

Subsecs. (d), (e). Pub. L. 111-203, §929H(a)(2), added subsecs. (d) and (e).

1980—Subsec. (a). Pub. L. 96-433, §1(1), substituted in opening par. “\$500,000” for “\$100,000”.

Subsec. (a)(1). Pub. L. 96-433, §1(2), substituted “\$100,000” for “\$40,000”.

EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by Pub. L. 111-203 effective 1 day after July 21, 2010, except as otherwise provided, see section 4 of Pub. L. 111-203, set out as an Effective Date note under section 5301 of Title 12, Banks and Banking.

EFFECTIVE DATE OF 1980 AMENDMENT

Amendment by Pub. L. 96-433 effective Oct. 10, 1980, see section 5(a) of Pub. L. 96-433, set out as a note under section 78u of this title.

§ 78fff-4. Direct payment procedure

(a) Determination regarding direct payments

If SIPC determines that—

- (1) any member of SIPC (including a person who was a member within one hundred eighty days prior to such determination) has failed or is in danger of failing to meet its obligations to customers;
- (2) one or more of the conditions specified in section 78eee(b)(1) of this title exist with respect to such member;
- (3) the claim of each customer of the member is within the limits of protection provided in section 78fff-3(a) of this title;
- (4) the claims of all customers of the member aggregate less than \$250,000;
- (5) the cost to SIPC of satisfying customer claims under this section will be less than the cost under a liquidation proceeding; and
- (6) such member’s registration as a broker-dealer under section 78o(b) of this title has been terminated, or such member has consented to the use of the direct payment procedure set forth in this section,

SIPC may, in its discretion, use the direct payment procedure set forth in this section in lieu of instituting a liquidation proceeding with respect to such member.

(b) Notice

Promptly after a determination under subsection (a) that the direct payment procedure is to be used with respect to a member, SIPC shall cause notice of such direct payment procedure to be published in one or more newspapers of general circulation in a form and manner determined by SIPC, and at the same time shall cause to be mailed a copy of such notice to each person who appears, from the books and records of such member, to have been a customer of the member with an open account within the past twelve months, to the address of such person as it appears from the books and records of such member. Such notice shall state that SIPC will satisfy customer claims directly, without a liquidation proceeding, and shall set forth the form and manner in which claims may be presented. A direct payment procedure shall be deemed to commence on the date of first publication under this subsection and no claim by a customer shall