

**(4) "Customer" defined**

For purposes of this subsection, the term "customer" does not include any person who—

- (A) is a broker or dealer;
- (B) had a claim for cash or securities which by contract, agreement, or understanding, or by operation of law, was part of the capital of the claiming broker or dealer or was subordinated to the claims of any or all creditors of such broker or dealer; or
- (C) had a relationship of the kind specified in section 78fff-3(a)(5) of this title with the debtor.

A claiming broker or dealer shall be deemed to have been acting on behalf of its customer if it acted as agent for such customer or if it held such customer's order which was to be executed as a part of its contract with the debtor.

**(f) Transfer of customer accounts**

In order to facilitate the prompt satisfaction of customer claims and the orderly liquidation of the debtor, the trustee may, pursuant to terms satisfactory to him and subject to the prior approval of SIPC, sell or otherwise transfer to another member of SIPC, without consent of any customer, all or any part of the account of a customer of the debtor. In connection with any such sale or transfer to another member of SIPC and subject to the prior approval of SIPC, the trustee may—

- (1) waive or modify the need to file a written statement of claim pursuant to subsection (a)(2); and
- (2) enter into such agreements as the trustee considers appropriate under the circumstances to indemnify any such member of SIPC against shortages of cash or securities in the customer accounts sold or transferred.

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.)

**Editorial Notes****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".

**Statutory Notes and Related Subsidiaries****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 adjustment 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.)

**Editorial Notes**

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”.

**Statutory Notes and Related Subsidiaries**

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—