

Commodity Exchange Act), a multilateral clearing organization (as defined in the Federal Deposit Insurance Corporation Improvement Act of 1991),” after “rule or bylaw of” and substituted “a securities clearing agency, a contract market designated under the Commodity Exchange Act, a derivatives transaction execution facility registered under the Commodity Exchange Act, or a board of trade (as defined in the Commodity Exchange Act),” for “or a securities clearing agency, a right set forth in a bylaw of a clearing organization or contract market”.

2005—Subsec. (b)(2)(C). Pub. L. 109-8 added subpar. (C).
 1978—Subsec. (a). Pub. L. 95-283, §7(a), added par. (2), redesignated former par. (2) as (3) and, as so redesignated, revised format of provisions by setting out cls. (A) and (B) and inserted provisions relating to any person who was a member within 180 days prior to such determination and provisions relating to claims filed under section 78fff-3 of this title, and redesignated former par. (3) as (4) and, as so redesignated, substituted “with respect to a member of SIPC filed with a court under paragraph (3)” for “under paragraph (2)” in introductory text and inserted “may,” before “with the” in cl. (A).

Subsec. (b)(1)(A). Pub. L. 95-598, §308(a)(1), substituted “section 101 of title 11” for “the Bankruptcy Act”.

Subsec. (b)(1)(B) to (E). Pub. L. 95-598, §308(a)(2), (3), redesignated subpars. (C) to (E) as subpars. (B) to (D), respectively. Former subpar. (B), which provided for issuance of protective decree where court found that debtor had committed act of bankruptcy within meaning of Bankruptcy Act, was struck out.

Subsec. (b)(2)(A)(iii). Pub. L. 95-598, §308(b), substituted “the United States having jurisdiction over cases under title 11” for “bankruptcy by the Bankruptcy Act”.

Subsec. (b)(2)(B)(iii). Pub. L. 95-598, §308(c), substituted “any right of setoff, except to the extent such right may be affected under section 553 of title 11, and shall not abrogate” for “the right of setoff provided in section 68 of the Bankruptcy Act”.

Subsec. (b)(3). Pub. L. 95-598, §308(d), substituted “section 322 of title 11” for “the applicable provisions of the Bankruptcy Act”.

Subsec. (b)(4). Pub. L. 95-598, §308(e), substituted provisions relating to removal of proceeding to Bankruptcy Court for provisions relating to reference of proceeding to referee in bankruptcy.

Subsec. (b)(5)(B). Pub. L. 95-598, §308(f)(1), (2), (5), redesignated subpar. (C) as (B) and substituted “title 11 governing applications for allowances under such title” for “the Bankruptcy Act governing applications for allowances under such Act”. Former subpar. (B), which covered allowances to a referee in bankruptcy or special master, was struck out.

Subsec. (b)(5)(C). Pub. L. 95-598, §308(f)(2), (3), (5), redesignated subpar. (D) as (C) and substituted “subparagraph (B)” for “subparagraph (C)”. Former subpar. (C) redesignated (B).

Subsec. (b)(5)(D). Pub. L. 95-598, §308(f)(2), (4), (5), redesignated subpar. (E) as (D) and substituted “Section 504 of title 11” for “the Bankruptcy Act”. Former subpar. (D) redesignated (C).

Subsec. (b)(5)(E), (F). Pub. L. 95-598, §308(f)(5), redesignated subpar. (F) as (E). Former subpar. (E) redesignated (D).

Subsec. (b). Pub. L. 95-283, §7(b), in par. (1) inserted “protective” after “of” in heading and substituted provisions relating to issuance of protective decrees, for provisions relating to specific findings necessary for issuance of a decree and uncontested, etc., applications, in par. (2) substituted “Jurisdiction and powers of court” for “Exclusive jurisdiction over debtor” in heading and substituted provisions setting forth jurisdiction and powers of court with respect to exclusivity of such jurisdiction, for provisions relating to exclusive jurisdiction over the debtor, in par. (3) inserted “and attorney” after “trustee” in heading and substituted provisions relating to appointment of trustee and at-

torney, for provisions relating to appointment of trustee, in par. (4) substituted “Reference to referee in bankruptcy” for “Debtor and filing date defined” in heading and substituted provisions relating to reference to referee in bankruptcy, for provisions defining terms “debtor” and “filing date”, and added pars. (5) and (6).
 Subsec. (d). Pub. L. 95-283, §7(c), added subsec. (d).

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 2006 AMENDMENT

Amendment by Pub. L. 109-390 not applicable to any cases commenced under Title 11, Bankruptcy, or to appointments made under any Federal or State law, before Dec. 12, 2006, see section 7 of Pub. L. 109-390, set out as a note under section 101 of Title 11.

EFFECTIVE DATE OF 2005 AMENDMENT

Amendment by Pub. L. 109-8 effective 180 days after Apr. 20, 2005, and not applicable with respect to cases commenced under Title 11, Bankruptcy, before such effective date, except as otherwise provided, see section 1501 of Pub. L. 109-8, set out as a note under section 101 of Title 11.

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. General provisions of a liquidation proceeding

(a) Purposes

The purposes of a liquidation proceeding under this chapter shall be—

(1) as promptly as possible after the appointment of a trustee in such liquidation proceeding, and in accordance with the provisions of this chapter—

(A) to deliver customer name securities to or on behalf of the customers of the debtor entitled thereto as provided in section 78fff-2(c)(2) of this title; and

(B) to distribute customer property and (in advance thereof or concurrently therewith) otherwise satisfy net equity claims of customers to the extent provided in this section;

(2) to sell or transfer offices and other productive units of the business of the debtor;

(3) to enforce rights of subrogation as provided in this chapter; and

(4) to liquidate the business of the debtor.

(b) Application of title 11

To the extent consistent with the provisions of this chapter, a liquidation proceeding shall be conducted in accordance with, and as though it were being conducted under chapters 1, 3, and 5 and subchapters I and II of chapter 7 of title 11. For the purposes of applying such title in carrying out this section, a reference in such title to the date of the filing of the petition shall be deemed to be a reference to the filing date under this chapter.

(c) Determination of customer status

In a liquidation proceeding under this chapter, whenever a person has acted with respect to

cash or securities with the debtor after the filing date and in a manner which would have given him the status of a customer with respect to such cash or securities had the action occurred prior to the filing date, and the trustee is satisfied that such action was taken by the customer in good faith and prior to the appointment of the trustee, the date on which such action was taken shall be deemed to be the filing date for purposes of determining the net equity of such customer with respect to such cash or securities.

(d) Apportionment

In a liquidation proceeding under this chapter, any cash or securities remaining after the liquidation of a lien or pledge made by a debtor shall be apportioned between his general estate and customer property in the proportion in which the general property of the debtor and the cash and securities of the customers of such debtor contributed to such lien or pledge. Securities apportioned to the general estate under this subsection shall be subject to the provisions of section 78fff(5)(A) of this title.

(e) Costs and expenses of administration

All costs and expenses of administration of the estate of the debtor and of the liquidation proceeding shall be borne by the general estate of the debtor to the extent it is sufficient therefor, and the priorities of distribution from the general estate shall be as provided in section 726 of title 11. Costs and expenses of administration shall include payments pursuant to section 78fff-2(e) of this title and section 78fff-3(c)(1) of this title (to the extent such payments recovered securities which were apportioned to the general estate pursuant to subsection (d)) and costs and expenses of SIPC employees utilized by the trustee pursuant to section 78fff-1(a)(2) of this title. All funds advanced by SIPC to a trustee for such costs and expenses of administration shall be recouped from the general estate under section 507(a)(2) of title 11.

(Pub. L. 91-598, §6, Dec. 30, 1970, 84 Stat. 1646; Pub. L. 95-283, §8, May 21, 1978, 92 Stat. 259; Pub. L. 95-598, title III, §308(g), (h), Nov. 6, 1978, 92 Stat. 2675; Pub. L. 109-8, title XV, §1502(b), Apr. 20, 2005, 119 Stat. 217.)

Editorial Notes

REFERENCES IN TEXT

This chapter, referred to in subssecs. (a)(1), (3), (b), (c), and (d), 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.

AMENDMENTS

2005—Subsec. (e). Pub. L. 109-8 substituted "507(a)(2)" for "507(a)(1)".

1978—Pub. L. 95-283 substituted "General provisions of a liquidation proceeding" for "Liquidation proceedings" in section catchline.

Subsec. (a). Pub. L. 95-283 in heading substituted "Purposes" for "General purposes of liquidation proceeding", in introductory text substituted provisions relating to purposes of liquidation proceedings under this chapter, for provisions relating to purposes of any proceeding in which a trustee has been appointed under section 78eee(b)(3) of this title, in par. (1) substituted provisions requiring execution of authorities to deliver

customer name securities and distribute customer property in accordance with this chapter, for provisions requiring execution of authorities to return specifically identifiable property and distribute the single and separate fund in accordance with this section, and in par. (2) substituted provisions authorizing sale, etc., of productive units of the debtor, for provisions authorizing operation of the business of the debtor.

Subsec. (b). Pub. L. 95-598, §308(g), in heading substituted "title 11" for "Bankruptcy Act" and in text "under chapters 1, 3, and 5 and subchapters I and II of chapter 7 of title 11. For the purposes of applying such title in carrying out this section, a reference in such title to the date of the filing of the petition shall be deemed to be a reference to the filing date under this chapter." for "under, the Bankruptcy Act. For purposes of applying the Bankruptcy Act to this chapter, any reference in the Bankruptcy Act to the date of commencement of proceedings under the Bankruptcy Act shall be deemed to be a reference to the filing date under this chapter."

Pub. L. 95-283 in heading substituted "Application of Bankruptcy Act" for "Powers and Duties of Trustee", and in text substituted provisions relating to applicability of Bankruptcy Act to liquidation proceedings, for provisions relating to the powers and duties of trustees. See section 78fff-1 of this title.

Subsec. (c). Pub. L. 95-283 in heading substituted "Determination of customer status" for "Application of Bankruptcy Act", and in text substituted provisions relating to determination of status of a customer with respect to cash or securities, for provisions setting forth general and special provisions of the Bankruptcy Act applicable to liquidation proceedings, and defining terms for purposes of such applicability and the provisions of this section. See subsec. (b) of this section and section 78fff-2(c) of this title.

Subsec. (d). Pub. L. 95-283 in heading substituted "Apportionment" for "Completion of open contractual commitments", and in text substituted provisions relating to apportionment of cash or securities remaining after the liquidation of a lien or pledge made by a debtor, for provisions relating to completion by the trustee of open contractual commitments, which were made in the ordinary course of the debtor's business and which were outstanding on the filing date. See section 78fff-2(e) of this title.

Subsec. (e). Pub. L. 95-598, §308(h), substituted in first sentence "section 726 of title 11" for "the Bankruptcy Act" and in last sentence "under section 507(a)(1) of title 11" for "as a first priority under the Bankruptcy Act".

Pub. L. 95-283 in heading substituted "Costs and expense of administration" for "Notice", and in text substituted provisions relating to costs and expenses of administration of the estate of the debtor and of the liquidation proceeding, for provisions relating to notice requirements for the trustee subsequent to appointment as trustee. See section 78fff-2(a)(1) of this title.

Subsec. (f). Pub. L. 95-283 struck out subsec. (f) requiring advances by the SIPC to the trustee for customers' claims and completion of open contractual commitments, and authorizing discretionary advances to the trustee for compensation of personnel deemed necessary for the liquidation proceeding. See section 78fff-3 of this title.

Subsec. (g). Pub. L. 95-283 struck out subsec. (g) setting forth provisions relating to payments to customers by the trustee, and provisions respecting the quantum of proof of claim required for such payment. See section 78fff-2(a)(2) and (b) of this title.

Subsec. (h). Pub. L. 95-283 struck out subsec. (h) relating to nonapplicability of provisions to proof of claim by associates and others connected in some way with the debtor. See section 78fff-2(a)(2) of this title.

Subsec. (i). Pub. L. 95-283 struck out subsec. (i) setting forth provisions relating to reports by the trustee to the court. See section 78fff-1(c) of this title.

Subsec. (j). Pub. L. 95-283 struck out subsec. (j) which related to nonapplicability of provisions to rights of

persons to establish by formal proof such claims as they may have to payment or delivery of specific securities. See section 78fff-2(a)(4) of this title.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2005 AMENDMENT

Amendment by Pub. L. 109-8 effective 180 days after Apr. 20, 2005, and not applicable with respect to cases commenced under Title 11, Bankruptcy, before such effective date, except as otherwise provided, see section 1501 of Pub. L. 109-8, set out as a note under section 101 of Title 11.

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-1. Powers and duties of a trustee

(a) Trustee powers

A trustee shall be vested with the same powers and title with respect to the debtor and the property of the debtor, including the same rights to avoid preferences, as a trustee in a case under title 11. In addition, a trustee may, with the approval of SIPC but without any need for court approval—

(1) hire and fix the compensation of all personnel (including officers and employees of the debtor and of its examining authority) and other persons (including accountants) that are deemed by the trustee necessary for all or any purposes of the liquidation proceeding;

(2) utilize SIPC employees for all or any purposes of a liquidation proceeding; and

(3) margin and maintain customer accounts of the debtor for the purposes of section 78fff-2(f) of this title.

(b) Trustee duties

To the extent consistent with the provisions of this chapter or as otherwise ordered by the court, a trustee shall be subject to the same duties as a trustee in a case under chapter 7 of title 11, including, if the debtor is a commodity broker, as defined under section 101 of such title, the duties specified in subchapter IV of such chapter 7, except that a trustee may, but shall have no duty to, reduce to money any securities constituting customer property or in the general estate of the debtor. In addition, the trustee shall—

(1) deliver securities to or on behalf of customers to the maximum extent practicable in satisfaction of customer claims for securities of the same class and series of an issuer; and

(2) subject to the prior approval of SIPC but without any need for court approval, pay or guarantee all or any part of the indebtedness of the debtor to a bank, lender, or other person if the trustee determines that the aggregate market value of securities to be made available to the trustee upon the payment or guarantee of such indebtedness does not appear to be less than the total amount of such payment or guarantee.

(c) Reports by trustee to court

The trustee shall make to the court and to SIPC such written reports as may be required of

a trustee in a case under chapter 7 of title 11, and shall include in such reports information with respect to the progress made in distributing cash and securities to customers. Such reports shall be in such form and detail as the Commission determines by rule to present fairly the results of the liquidation proceeding as of the date of or for the period covered by such reports, having due regard for the requirements of section 78q of this title and the rules prescribed under such section and the magnitude of items and transactions involved in connection with the operations of a broker or dealer.

(d) Investigations

The trustee shall—

(1) as soon as practicable, investigate the acts, conduct, property, liabilities, and financial condition of the debtor, the operation of its business, and any other matter, to the extent relevant to the liquidation proceeding, and report thereon to the court;

(2) examine, by deposition or otherwise, the directors and officers of the debtor and any other witnesses concerning any of the matters referred to in paragraph (1);

(3) report to the court any facts ascertained by the trustee with respect to fraud, misconduct, mismanagement, and irregularities, and to any causes of action available to the estate; and

(4) as soon as practicable, prepare and submit, to SIPC and such other persons as the court designates and in such form and manner as the court directs, a statement of his investigation of matters referred to in paragraph (1).

(Pub. L. 91-598, § 7, as added Pub. L. 95-283, § 9, May 21, 1978, 92 Stat. 260; amended Pub. L. 95-598, title III, § 308(i)-(k), Nov. 6, 1978, 92 Stat. 2675.)

Editorial Notes

PRIOR PROVISIONS

A prior section 7 of Pub. L. 91-598 was renumbered section 11 and is classified to section 78ggg of this title.

AMENDMENTS

1978—Subsec. (a). Pub. L. 95-598, § 308(i), substituted “trustee in a case under title 11” for “trustee in bankruptcy under the Bankruptcy Act has with respect to a bankrupt and the property of a bankrupt”.

Subsec. (b). Pub. L. 95-598, § 308(j), substituted “trustee in a case under chapter 7 of title 11, including, if the debtor is a commodity broker, as defined under section 101 of such title, the duties specified in subchapter IV of such chapter 7,” for “trustee in bankruptcy”.

Subsec. (c). Pub. L. 95-598, § 308(k), substituted “required of a trustee in a case under chapter 7 of title 11” for “required by 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.