



Securities Investor Protection Corporation

[Hoover's Profile:](#) Securities Investor Protection Corporation

Type: Private - Not-for-Profit
On the web: <http://www.sipc.org>
Employees: 31

Contact Information

Securities Investor Protection Corporation
805 15th St. NW, Ste. 800
Washington, DC 20005-2215
DC Tel. 202-371-8300
Fax 202-371-6728

Securities Investor Protection Corporation (SIPC) is an industry-financed insurance plan that protects clients of most broker-dealers registered with the US Securities and Exchange Commission (SEC). SIPC insures customers' securities (up to \$500,000 per account) against losses due to the financial failure of brokerage firms. Losses caused by fluctuations in market value are not protected. The not-for-profit membership corporation was mandated by the Securities Investor Protection Act and has more than 6,000 members. Its board is appointed by the US president, the treasury secretary, and the Federal Reserve Board. Assessments from members and investments in government securities provide money for the SIPC Fund.

Key numbers for fiscal year ending December, 2007:

Sales: \$63.7M

Officers:

Chairman: Armando J. Bucelo Jr.

President and CEO: Stephen P. Harbeck

VP Operations and Finance: Philip W. Carduck

5min Related Video: Securities Investor Protection Corporation

[Computer Desktop Encyclopedia:](#) SIPC

(**S**imply **I**nteractive **P**C) An earlier umbrella term from Microsoft and Intel for a PC that works like a home appliance. For example, it has a sealed case, uses external connectors for expansion and boots in just a couple of seconds.

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[Investment Dictionary:](#) Securities Investor Protection Corporation - SIPC

A nonprofit corporation created by an act of Congress to protect the clients of brokerage firms that are forced into bankruptcy. Members to the SIPC include all brokers and dealers registered under the Securities Exchange Act of 1934, all members of securities exchanges and most NASD members.

Investopedia Says:

SIPC is an insurance that provides brokerage customers up to \$500,000 coverage for cash and securities held by the firm (although coverage of cash is limited to \$100,000).

Related Links:

How do you find the right broker for your investment needs? Start by reading our broker tutorial. [Brokers and Online Trading](#)

If you're a rookie investor, your first big investment decision should be an informed one. [Picking Your First Broker](#)

This is one of the most crucial investment decisions you'll make. We go over factors that will help you find the right one for you. [10 Things To Consider Before Selecting An Online Broker](#)

[Financial & Investment Dictionary:](#) Securities Investor

Protection Corporation (SIPC)

Nonprofit corporation, established by Congress under the Securities Investor Protection Act of 1970, that insures the securities and cash in the customer accounts of member brokerage firms against the failure of those firms. All brokers and dealers registered with the Securities and Exchange Commission and with national stock exchanges are required to be members of SIPC. The Corporation acts similarly to the Federal Deposit Insurance Corporation (FDIC), which insures banks, and the [Savings Association Insurance Fund](#) (SAIF), which insures savings and loans. When a brokerage firm fails, SIPC will first try to merge it into another brokerage firm. If this fails, SIPC will liquidate the firm's assets and pay off account holders up to an overall maximum of \$500,000 per customer, with a limit of \$100,000 on cash or cash equivalents. SIPC does not protect investors against market risks. *See also* [Separate Customer](#).

[Banking Dictionary](#): Securities Investor Protection Corporation

Nonprofit, government sponsored membership corporation chartered in 1970 to protect the customer of insured broker-dealers, up to \$500,000 per account. The SIPC has no supervisory powers and does not assist failing firms. The corporation, which is funded by member assessments and portfolio income, also has a line of credit with the U.S. Treasury. Five of its seven governors are appointed by the President; the remaining two are named by the Board of Governors of the Federal Reserve System and the secretary of the treasury. In addition to SIPC insurance, many broker-dealers also guard against losses through private insurance.

[Law Dictionary](#): Securities Investor Protection Corporation [S.I.P.C.]

A [non-profit corporation](#), supported by its membership of securities brokers and dealers, designed to protect customers of securities brokers and dealers and to promote confidence in the securities markets. It was created by Congress as a result of the enactment of the Securities Investors Protection Act of 1970. 15 U.S.C. §§78aaa et seq. See [Securities Acts](#).

[Wikipedia](#): Securities Investor Protection Corporation



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This article or section contains only non-IPA pronunciation information which should be expanded with the [International Phonetic Alphabet](#). For assistance, see [Wikipedia:Manual of Style \(pronunciation\)](#).

The **Securities Investor Protection Corporation** (SIPC) (sometimes pronounced 'Sip-ick') is a [federally](#) mandated [non-profit corporation](#) in the [United States](#) that protects [securities investors](#) from financial harm if a [broker-dealer](#) company fails. Investors are not insured for any potential loss while invested in the securities market.

[Congress](#) created SIPC in 1970 through the [Securities Investor Protection Act](#) (15 U.S.C. 78aaa-III). A copy of the Act is available at [\[1\]](#)

SIPC it is not a [government agency](#); rather, it is a membership corporation funded by its members.

SIPC serves two primary roles in the event that a [broker-dealer](#) fails. First, SIPC acts to organize the distribution of customer cash and securities to investors. Second, to the extent a customer's cash and/or securities are unavailable, SIPC provides insurance coverage up to \$500,000 of the customer's net equity balance, including up to \$100,000 in cash.

As interpreted, the Act protects customers whose securities were misappropriated, never purchased, or stolen. However, it has not covered sales practice claims against broker-dealers that do not involve misappropriation or conversion (e.g., fraudulent sales practices, unsuitable investments, failure to execute sell orders).

While customers are protected for cash and most types of securities, such as notes, stocks, bonds, and certificates of deposit, other items, such as commodity or futures contracts, are not covered. Investment contracts, certificates of interest or participations in profit-sharing agreements, and oil, gas, or mineral royalties or leases are not covered unless registered with the [Securities and Exchange Commission](#).

"SIPC is led by 7 directors, some appointed by the President of the United States, and others by the member firms. It employs a staff of only 29, and does not advertise job openings on its website. In 2007, total employee compensation and benefits were a generous \$5.8 million." [\[1\]](#)

Caveats and Clarifications

The scope of SIPC coverage can be confusing. For example, although unauthorized trades are covered, the failure to execute a trade is not.

SIPC does not insure the underlying value of the financial asset it protects. For example, an investor buys 100 shares of XYZ company from a brokerage firm and then the firm for whatever reason, files for bankruptcy or merges with another. The 100 shares of XYZ *still* belong to the investor and should be (see below) recoverable, but if the value of XYZ stock falls SIPC will not make up the difference.

By law, investors' assets and the brokerage's assets must be segregated; they may not be comingled. It would be a civil

and/or criminal violation if an investor's assets were used by the brokerage firm. If the firm files for bankruptcy or is merged with another firm, the investor's assets should be recoverable.

Under current law (2008), the limit on SIPC insurance is \$500,000 per account but if an investor has more than that in assets, they should still be recoverable, provided that the brokerage firm did not engage in illegal comingling of funds. In other words, the \$500,000 limit is to protect against malfeasance; otherwise it would not be hazardous to allow the firm to hold more than that in value.

There are certain assets that are not covered such as annuities. Check the applicable law on the government website, <http://www.sec.gov> before investing.

There are ways to help protect assets: investing only with reputable firms, limiting the amount invested with each firm to the SIPC covered limit, opening multiple accounts (individual, joint, IRA, ROTH) with the same firm. The safest investment, guaranteed at 100% by the U.S. government, is U.S. Treasury bonds. Other private insurance plans are only as good as the company issuing the insurance.


Sources: Securities and Exchange Commission Website, telephone inquiry, printed government documents.

External links

- [SIPC home page](#)
- [SIPC is NOT an FDIC for investors](#)
- [Madoff victims support and advocacy group](#) For investors only

References




1. [^ http://financecareers.about.com/od/regulatorsandexchanges/a/SIPC.htm](http://financecareers.about.com/od/regulatorsandexchanges/a/SIPC.htm)

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