<u>Improving Security for Investors and Providing Closure (Improving SIPC) Act of 2011</u>

For three years now, thousands of victims of the Stanford Financial Ponzi Scheme have been waiting for relief. In many cases, innocent victims had their entire life savings wiped out just as they were approaching retirement. After a lengthy investigation and deliberative process, the Securities & Exchange Commission (SEC) determined last summer that Stanford victims should qualify for investor coverage from the Securities Investor Protection Corporation (SIPC). SIPC has strongly objected to this ruling, and the matter is now headed for the courts.

Under current law, if the SEC directs SIPC to provide restitution to customers of a failed brokerage, and SIPC refuses, the customers of that failed broker have almost no options other than to await the outcome of a lengthy and uncertain court fight between these two entities. In fact, widespread media accounts have reported that a substantial offer by SIPC to settle the claims of the Stanford victims late last year was rejected by the SEC, with no real input gathered from or options extended to the thousands of affected customers.

To provide a direct avenue for the Stanford victims and other investors who may find themselves in this predicament to make the choice that is right for them and for their families, we have introduced the *Improving Security for Investors and Providing Closure Act*, or **Improving SIPC Act of 2012.**

This bill would give SIPC an option that is available in the American legal system: the ability to offer affected customers of a failed broker a one-time cash payment that both satisfies the customer's claims and absolves SIPC from any future obligations to that customer.

This bill <u>does not</u> impose a Congressionally mandated "bailout" of the Stanford investors.
The option to offer this one-time payment is entirely at the discretion of SIPC, and can only go into effect in the extraordinary event that a lawsuit is filed by the SEC against SIPC to compel a liquidation and payout. Simply put, Congress does not force anyone involved in these matters to pay anything.

This bill <u>does not</u> impose Ex Post Facto law on active legal proceedings.
The SEC's ongoing litigation against SIPC over the Stanford matter or any other case is not directly affected by this bill. All we do is provide the affected customers, none of whom have any formal role in the SEC's suit against SIPC, the opportunity should SIPC offer it again to regain all or some of their losses and put this painful episode behind them. For those who do not choose to accept a one-time payment, all possible outcomes from the SEC's legal action against SIPC remain open, including of course the potential for a more negative outcome than what the one-time payment would have offered.

This bill <u>does</u> help those who need it the most.
This bill's formula for SIPC's one-time payment offer is to provide net equity losses against a maximum payment cap, determined by SIPC and uniform for all investors. For example, if SIPC sets a cap of $250,000, a customer who lost $150,000 in net equity would receive a full $150,000 from SIPC. However, for a customer who lost $500,000 in net equity, their maximum under this act would be capped at $250,000 if they elected to receive the one-time payment.