What SIPC Protects

SIPC protects against the loss of cash and securities – such as stocks and bonds – held by a customer at a financially-troubled SIPC-member brokerage firm. The limit of SIPC protection is $500,000, which includes a $250,000 limit for cash. Most customers of failed brokerage firms are protected when assets are missing from customer accounts. There is no requirement that a customer reside in or be a citizen of the United States. A non-U.S. citizen with an account at a brokerage firm that is a member of SIPC is treated the same as a resident or citizen of the United States with an account at a SIPC member brokerage firm.

SIPC protection is limited. SIPC only protects the custody function of the broker dealer, which means that SIPC works to restore to customers their securities and cash that are in their accounts when the brokerage firm liquidation begins.

SIPC does not protect against the decline in value of your securities. SIPC does not protect individuals who are sold worthless stocks and other securities. SIPC does not protect against losses due to a broker’s bad investment advice, or for recommending inappropriate investments.

It is important to recognize that SIPC protection is not the same as protection for your cash at a Federal Deposit Insurance Corporation (FDIC) insured banking institution because SIPC does not protect the value of any security.

Investments in the stock market are subject to fluctuations in market value. SIPC was not created to protect these risks. That is why SIPC does not bail out investors when the value of their stocks, bonds and other investment falls for any reason. Instead, in a liquidation, SIPC replaces the missing stocks and other securities when it is possible to do so.

How Is My Cash Protected

SIPC protects cash in a brokerage firm account from the sale of or for the purchase of securities. Cash held in connection with a commodities trade is not protected by SIPC. Money market mutual funds, often thought of as cash, are protected as securities by SIPC.

SIPC protects cash held by the broker for customers in connection with the customers' purchase or sale of securities whether the cash is in U.S. dollars or denominated in non-U.S. dollar currency.

What Are Securities

SIPC protects stocks, bonds, Treasury securities, certificates of deposit, mutual funds, money market mutual funds and certain other investments as “securities.” SIPC does not protect commodity futures contracts (unless held in a special portfolio margining account), or foreign exchange trades, or investment contracts (such as limited partnerships) and fixed annuity contracts that are not registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933.

Digital or crypto assets have been issued and/or transferred using blockchain or distributed ledger technology. While some of these digital assets may qualify as securities if they are deemed to be investment contracts, an investment contract, digital asset or otherwise, must be registered with the SEC in order to be a “security” as defined by the Securities Investor Protection Act (SIPA). Digital asset securities that are unregistered investment contracts do not qualify as "securities" under SIPA and are therefore not protected under SIPA, even if held by a SIPC-member brokerage firm.

For a more detailed explanation, consult the definition of “security” in the Securities Investor Protection Act, section 78lll(14):

The term “Security” means any

- note,
- stock,
- treasury stock,
- bond,
- debenture,
- evidence of indebtedness,
- any collateral trust certificate, preorganization certificate or subscription,
• transferable share,
• voting trust certificate,
• certificate of deposit
• certificate of deposit for a security, or
• any security future as that term is defined in section 78c(a)(55)(A) of this title,
• any investment contract or certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or mineral royalty or lease (if such investment contract or interest is the subject of a registration statement with the Commission pursuant to the provisions of the Securities Act of 1933 [15 U.S.C. 77a et seq.]),
• any put, call, straddle, option, or privilege on any security, or group or index of securities (including any interest therein or based on the value thereof), or
• any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency,
• any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase or sell any of the foregoing, and
• any other instrument commonly known as a security.

Except as specifically provided above, the term “security” does not include any

• currency, or
• any commodity or related contract or futures contract, or
• any warrant or right to subscribe to or purchase or sell any of the foregoing.