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June 25, 2013

**BY ELECTRONIC MAIL**  
**(fasab@fasab.gov)**

Ms. Wendy M. Payne, Executive Director  
Federal Accounting Standards Advisory Board  
Mail Stop 6H19  
441 G Street NW, Suite 6814  
Washington, DC 20548

**RE: Statement of Federal Financial Accounting Standards Exposure Draft**

Dear Ms. Payne:

Thank you for the opportunity to share with the Federal Accounting Standards Advisory Board (“FASAB”) the views of the Securities Investor Protection Corporation (“SIPC”) with regard to the Statement of Federal Financial Accounting Standards Exposure Draft (the “Draft”). Having considered the issue, we respectfully submit the following comments to Questions 1a and 1b. In addition, SIPC understands that the Securities and Exchange Commission (“SEC” or “Commission”) will file comments disagreeing with certain principles in the Draft, and SIPC joins in the Commission’s opposition to those principles.

*Q1. The Board is proposing three inclusion principles for an organization to be included in the government-wide GPFRR:*

- *An organization with an account or accounts listed in the Budget of the United States Government: Analytical Perspectives—Supplemental Materials schedule entitled “Federal Programs by Agency and Account” unless the organization is a non-federal organization receiving federal financial assistance*
- *An organization in which the federal government holds a majority ownership interest*
- *An organization that is controlled by the federal government with risk of loss or expectation of benefit*

*In addition, the Board is proposing that an organization be included in the government-wide GPFRR if it would be misleading to exclude it even though it does not meet one of the three inclusion principles.*

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*Refer to paragraphs 20-36 of the proposed standards and paragraphs A12- A29 in Appendix A - Basis for Conclusions for a discussion and related explanation.*

***a. Do you agree or disagree with each of the inclusion principles? Please provide the rationale for your answer.***

SIPC Response: Disagree. SIPC believes that its inclusion in the Budget should not be used as a factor to determine whether SIPC should be included in the government-wide general purpose federal financial report (“GPFRR”).

Congress enacted the Securities Investor Protection Act, 15 U.S.C. § 78aaa *et seq.* (“SIPA”), in 1970 in reaction to a crisis of confidence in the securities industry. SIPA established SIPC as a non-governmental and non-profit corporation whose membership would consist of registered securities broker-dealers. *See* SIPA § 78ccc(a)(2)(A). SIPC’s main function is the protection of customers of failed securities broker-dealers that are members of SIPC and that are in liquidation under SIPA. Among other things, SIPC oversees the administration of the liquidation proceeding and provides funding, as needed, for the administrative expenses of the proceedings and, within limits, for the satisfaction of customer claims. SIPC’s funding derives from a Fund that SIPC administers and that is comprised of assessments paid to it by its members and amounts generated from investment of the Fund. SIPA § 78ddd(c). The amount of the assessments that broker-dealers pay is based on rates that are set under SIPC bylaw and that have varied over time as a result of the amount of the Fund and the applicable target limit of the Fund, also set by SIPC bylaw. SIPA § 78ddd(c)(2).

At present, the SIPC Fund stands at approximately \$1.85 billion. The SIPC Fund is not held at the Department of the Treasury (“Treasury”), and the Treasury has no control over or access to the SIPC Fund. The Fund is used solely for SIPA liquidation proceedings and to support SIPC’s operational costs. *See* SIPA § 78ddd(a)(1). Should the Fund become insufficient to carry out the purposes of SIPA, the SEC may make a loan to SIPC through notes issued to the Treasury of up to \$2.5 billion. *See* SIPA § 78ddd(g), (h). In SIPC’s 43 year history, the Fund level has never dropped so low as to require a borrowing from the Treasury. As stated in the Budget, “the Budget does not project that SIPC will require use of these loans over the next ten years.” *See* Office of Mgmt. & Budget, Exec. Office of the President, Budget of the United States Government, Fiscal Year 2013 (2012) (“Budget”) at 1407.

Throughout SIPC’s history, SIPC has been both excluded and included in the Appendix of the Budget. For example, in FY 2007, SIPC’s line of credit with Treasury had an account in the Budget. In FY 2008, the line of credit was removed from the Budget and replaced with a paragraph explaining the role of SIPC. In FY 2011, the SIPC Fund was included as an account in the Budget, with adjustments going back to FY 2009. As far as SIPC is aware, no legislative changes in those years led to these changes of treatment.

***b. Do you believe the inclusion principles, and the related definitions and indicators, are helpful and clear? Please provide the rationale for your answer.***

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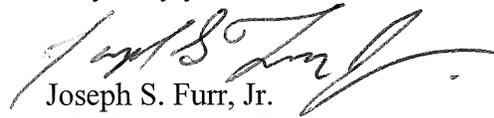
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SIPC Response: Disagree. Consolidation of a non-governmental private sector entity's financial statements into an agency's financial statements would be difficult when (1) the non-governmental entity's financial statements are issued on a calendar year basis and not on the government's fiscal year; and (2) the non-governmental entity's financial statements are subject to an independent audit in accordance with private sector GAAP. For example, Congress expressly granted to SIPC the power to establish its fiscal year, which, by SIPC bylaw, is the calendar year in accordance with private-sector GAAP. SIPA § 78ccc(b)(9). SIPC's standalone financial statements are audited in accordance with private sector GAAP by an independent auditor. The SEC is not involved in the day-to-day operation of SIPC. Thus, it would create a high burden on the SEC and its auditor to include SIPC's financial statements within its own. Among other things, the SEC would have to reconcile any issues arising from the SIPC fiscal year difference. As the SEC points out in its comments, it is unlikely that the Commission's auditor (the General Accountability Office) would be willing to rely on the work of SIPC's independent auditor, adding work for its auditor and subjecting SIPC to another layer of audit.

We welcome the opportunity to provide FASAB with any additional information that it requires. Please feel free to contact SIPC President Stephen P. Harbeck, myself, or Assistant General Counsel Lauren Attard. Each of us can be reached at 202-371-8300.

Thank you for your consideration.

Very truly yours,



Joseph S. Furr, Jr.  
Vice President - Finance

JF/kew

cc: Stephen P. Harbeck, President, SIPC  
Lauren T. Attard, Esq.  
Kenneth A. Johnson, Chief Financial Officer, SEC (by e-mail)  
Caryn Kauffmann, Deputy Chief Financial Officer, SEC (by e-mail)