Agencies Adopt Final Rule on the Orderly Liquidation of Covered Broker-Dealers under Title II of the Dodd-Frank Act

July 24, 2020

For release at 3:00 p.m. EDT

The Federal Deposit Insurance Corporation and the Securities and Exchange Commission have adopted a final rule required by the Dodd-Frank Act clarifying and implementing provisions relating to the orderly liquidation of certain brokers or dealers (covered broker-dealers) in the event the FDIC is appointed receiver under Title II of the Dodd-Frank Act. The FDIC and SEC developed the final rule in consultation with the Securities Investor Protection Corporation (SIPC).

By statute, the orderly liquidation of a covered broker-dealer must be accomplished in a manner that ensures that customers of the covered broker-dealer receive payments or property at least as beneficial to them as would have been the case had the covered broker-dealer been liquidated under the Securities Investor Protection Act of 1970 (SIPA).

Among other things, the final rule clarifies how the relevant provisions of SIPA would be incorporated into a Title II proceeding. Upon the appointment of the FDIC as receiver, the FDIC would appoint SIPC to act as trustee for the broker-dealer. SIPC, as trustee, would determine and satisfy customer claims in the same manner as it would in a proceeding under SIPA. The treatment of the covered broker-dealer's qualified financial contracts would be governed in accordance with Title II.

In addition, the final rule describes the claims process applicable to customers and other creditors of a covered broker-dealer and clarifies the FDIC's powers as receiver with respect to the transfer of assets of a covered broker-dealer to a bridge broker-dealer.

The final rule is substantively identical to the proposed rule published in the *Federal Register* in 2016. It will be effective 60 days after publication in the *Federal Register*.

FDIC: PR-88-2020