



U.S. Securities and Exchange Commission

Investor Alert: Your Brokerage Account, Money Market Funds, and Short Sale Prohibition in Certain Financial Companies

Recent market events have caused concern for some investors. Some have questioned the safety of their brokerage accounts and are worried that money market fund shares may be worth less than the \$1 per share they paid for them.

The SEC's Office of Investor Education and Advocacy has received many inquiries about these issues from investors. This Investor Alert describes some of the existing and new protections intended to safeguard individual investors' brokerage accounts and money market funds, as well as the Commission's short sale prohibition in certain financial companies.

Money Market Funds

A money market fund is a type of [mutual fund](#) that is required by law to invest in low-risk, short-term securities. A money market fund is designed to keep its [net asset value \(NAV\)](#) at a constant \$1.00 per share. Recently, one money market fund "broke a buck" (its net asset value fell below \$1 a share). This event caused investors to become concerned that their money market investments might lose value.

To reassure investors in money market funds, the Treasury Department, working closely with the SEC, established a [temporary guaranty program](#) for U.S. money market funds. Additional details are available [here](#). Specific details regarding the Division of Investment Management's Responses to Frequently Asked Questions about The Reserve Fund and Money Market Funds are available [here](#).

Brokerage Account Protection

Customers of U.S. registered broker-dealers benefit from the extensive protections provided by the Commission rules, including the Customer Protection Rule, as well as protection by the Securities Investor Protection Corporation (SIPC). The Commission's Customer Protection Rule requires a broker-dealer to segregate customer cash and securities from a broker-dealer's own proprietary assets. More specifically, the rule requires that a broker-dealer keep customer cash and fully paid securities free of lien and in a safe location. This protects customer assets from claims by a broker-dealer's creditors.

Any person who has deposited funds or securities in a securities account at a broker-dealer is a "customer" under the Customer Protection Rule. Securities customers of U.S. broker-dealers are

not permitted to opt out of the protections afforded by the Customer Protection Rule. There is a technical exception for affiliates of the broker-dealer, but this exception would not affect the protections generally extended to a customer's funds and securities deposited at the broker-dealer.

In addition to the Commission's rules that protect securities customers, SIPC also protects securities customers up to \$500,000 per customer, including a maximum of \$100,000 for cash claims. To determine if your broker-dealer is a member of SIPC, or to learn more about the SIPC protections, you can check the SIPC website at www.sipc.org.

Short Sale Prohibition in Certain Financial Companies

The SEC has [temporarily banned short selling in the publicly-traded securities of certain banks](#), savings associations, broker-dealers, investment advisers, and insurance companies, whether domestic or foreign, and the owners of any of these entities. The ban on short selling in these companies' securities lasts until October 2, 2008. This action, in conjunction with the [short sale rule changes](#) that became effective last week, is intended to protect the integrity and quality of the securities market and strengthen investor confidence.

<http://www.sec.gov/answers/investoralert.htm>

We have provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.