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Weekly Financial Article for the Week of September 4, 2007

FINRA, SIPC, SEC, FDIC Explained

What do they do on behalf of investors?

FINRA ... SEC ... SIPC ... FDIC ... NASD ... if you've ever saved or invested, you've probably noticed these little acronyms. But what do they stand for? Here's a brief explanation of what these entities do and why they matter to the individual investor.

FINRA. The Financial Industry Regulatory Authority (FINRA) is the new organization created by the merger of the National Association of Securities Dealers (NASD) and the regulatory committee of the New York Stock Exchange (NYSE). FINRA governs business between securities firms and the public, and it registers, educates, and licenses various financial services professionals. It also seeks to inform and protect investors. It is not a federal agency, but a creation of the financial services industry.

FDIC. The Federal Deposit Insurance Corporation regulates over 5,000 U.S. banks as an arm of the federal government, to prevent bank and savings and loan failures. It was created in 1934, after thousands of banks closed during the Depression. Americans could keep faith in the banking system with the availability of deposit insurance in case banks went out of business. FDIC insurance covers up to \$100,000 of customer funds deposited in savings and checking accounts. (Not all banks are FDIC members.)

SIPC. Though similar to the FDIC in concept, the Securities Investor Protection Corporation has nothing to do with the U.S. government. It is a nonprofit corporation funded by securities broker/dealers. If a member broker/dealer goes belly up, or does unauthorized trading with customer accounts, the SIPC steps up to return funds and securities to the investors affected (though not all types of investments are protected). SIPC coverage is limited to \$500,000 per customer, including up to \$100,000 for cash.

SEC. As a federal agency, the Securities and Exchange Commission regulates stock market activity and enforces securities laws, including those designed to prevent insider trading, conflicts of interest, and deceit in corporate accounting. The SEC requires public companies to submit periodic reports, and it helps penalize and prosecute individuals and companies who run afoul of securities law and criminal law.

Quote of the week. "Success seems to be connected with action. Successful people keep moving. They make mistakes, but they don't quit." – Conrad Hilton

Riddle of the week. A man legally marries 10 women. They are all from the same state. He doesn't divorce any of them and none of them have passed away. How is this possible?
(Read the answer here next week.)

Answer to last week's riddle: The bus driver was walking.