

charge or command of such vessel shall be severally liable to a fine of not less than \$2,000 nor more than \$10,000, or to imprisonment not to exceed two years, or both, and in addition such vessel shall be forfeited to the United States.

The President of the United States is authorized and empowered to employ such part of the land or naval forces of the United States as shall be necessary to carry out the purposes of this subchapter.

(Sept. 8, 1916, ch. 463, title VIII, §806, 39 Stat. 799.)

#### DELEGATION OF FUNCTIONS

For delegation to Secretary of Homeland Security of authority vested in President by this section, see section 1(j), (k) of Ex. Ord. No. 10637, Sept. 16, 1955, 20 F.R. 7025, as amended, set out as a note under section 301 of Title 3, The President.

### CHAPTER 2A—SECURITIES AND TRUST INDENTURES

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#### SUBCHAPTER I—DOMESTIC SECURITIES

##### § 77a. Short title

This subchapter may be cited as the “Securities Act of 1933”.

(May 27, 1933, ch. 38, title I, § 1, 48 Stat. 74.)

##### SHORT TITLE OF 1980 AMENDMENT

Pub. L. 96-477, title VI, §601, Oct. 21, 1980, 94 Stat. 2294, provided that: “This title [amending sections 77b and 77d of this title] may be cited as the ‘Small Business Issuers’ Simplification Act of 1980.’”

##### § 77b. Definitions; promotion of efficiency, competition, and capital formation

###### (a) Definitions

When used in this subchapter, unless the context otherwise requires—

(1) The term “security” means any note, stock, treasury stock, security future, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security, certificate of deposit, 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, or, in general, any interest or instrument commonly known as a “security”, or 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, any of the foregoing.

(2) The term “person” means an individual, a corporation, a partnership, an association, a joint-stock company, a trust, any unincorporated organization, or a government or political subdivision thereof. As used in this paragraph the term “trust” shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

(3) The term “sale” or “sell” shall include every contract of sale or disposition of a security or interest in a security, for value. The term “offer to sell”, “offer for sale”, or “offer” shall include every attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security, for value. The terms defined in this paragraph and the term “offer to buy” as used in subsection (c) of section 77e of this title shall not include preliminary negotiations or agreements between an issuer (or any person directly or indirectly controlling or controlled by an issuer, or under direct or indirect common control with an issuer) and any underwriter or among underwriters who are or are to be in privity of contract with an issuer (or any person directly or indirectly controlling or controlled by an issuer, or under direct or indirect common control with an issuer). Any security given or delivered with, or as a bonus on account of, any purchase of securities or any other thing, shall be conclusively presumed to constitute a part of the subject of such purchase and to have been offered and sold for value. The issue or transfer of a right or privilege, when originally issued or transferred with a security, giving the holder of such security the right to convert such security into another security of the same issuer or of another person, or giving a right to subscribe to another security of the same issuer or of another person, which right cannot be exercised until some future date, shall not be deemed to be an offer or sale of such other security; but the issue or transfer of such other security upon the exercise of such right of conversion or subscription shall be deemed a sale of such other security. Any offer or sale of a security futures product by or on behalf of the issuer of the securities under-

lying the security futures product, an affiliate of the issuer, or an underwriter, shall constitute a contract for sale of, sale of, offer for sale, or offer to sell the underlying securities.

(4) The term “issuer” means every person who issues or proposes to issue any security; except that with respect to certificates of deposit, voting-trust certificates, or collateral-trust certificates, or with respect to certificates of interest or shares in an unincorporated investment trust not having a board of directors (or persons performing similar functions) or of the fixed, restricted management, or unit type, the term “issuer” means the person or persons performing the acts and assuming the duties of depositor or manager pursuant to the provisions of the trust or other agreement or instrument under which such securities are issued; except that in the case of an unincorporated association which provides by its articles for limited liability of any or all of its members, or in the case of a trust, committee, or other legal entity, the trustees or members thereof shall not be individually liable as issuers of any security issued by the association, trust, committee, or other legal entity; except that with respect to equipment-trust certificates or like securities, the term “issuer” means the person by whom the equipment or property is or is to be used; and except that with respect to fractional undivided interests in oil, gas, or other mineral rights, the term “issuer” means the owner of any such right or of any interest in such right (whether whole or fractional) who creates fractional interests therein for the purpose of public offering.

(5) The term “Commission” means the Securities and Exchange Commission.

(6) The term “Territory” means Puerto Rico, the Virgin Islands, and the insular possessions of the United States.

(7) The term “interstate commerce” means trade or commerce in securities or any transportation or communication relating thereto among the several States or between the District of Columbia or any Territory of the United States and any State or other Territory, or between any foreign country and any State, Territory, or the District of Columbia, or within the District of Columbia.

(8) The term “registration statement” means the statement provided for in section 77f of this title, and includes any amendment thereto and any report, document, or memorandum filed as part of such statement or incorporated therein by reference.

(9) The term “write” or “written” shall include printed, lithographed, or any means of graphic communication.

(10) The term “prospectus” means any prospectus, notice, circular, advertisement, letter, or communication, written or by radio or television, which offers any security for sale or confirms the sale of any security; except that (a) a communication sent or given after the effective date of the registration statement (other than a prospectus permitted under subsection (b) of section 77j of this title) shall not be deemed a prospectus if it is proved that prior to or at the same time with such

communication a written prospectus meeting the requirements of subsection (a) of section 77j of this title at the time of<sup>1</sup> such communication was sent or given to the person to whom the communication was made, and (b) a notice, circular, advertisement, letter, or communication in respect of a security shall not be deemed to be a prospectus if it states from whom a written prospectus meeting the requirements of section 77j of this title may be obtained and, in addition, does no more than identify the security, state the price thereof, state by whom orders will be executed, and contain such other information as the Commission, by rules or regulations deemed necessary or appropriate in the public interest and for the protection of investors, and subject to such terms and conditions as may be prescribed therein, may permit.

(11) The term “underwriter” means any person who has purchased from an issuer with a view to, or offers or sells for an issuer in connection with, the distribution of any security, or participates or has a direct or indirect participation in any such undertaking, or participates or has a participation in the direct or indirect underwriting of any such undertaking; but such term shall not include a person whose interest is limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors’ or sellers’ commission. As used in this paragraph the term “issuer” shall include, in addition to an issuer, any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer.

(12) The term “dealer” means any person who engages either for all or part of his time, directly or indirectly, as agent, broker, or principal, in the business of offering, buying, selling, or otherwise dealing or trading in securities issued by another person.

(13) The term “insurance company” means a company which is organized as an insurance company, whose primary and predominant business activity is the writing of insurance or the reinsuring of risks underwritten by insurance companies, and which is subject to supervision by the insurance commissioner, or a similar official or agency, of a State or territory or the District of Columbia; or any receiver or similar official or any liquidating agent for such company, in his capacity as such.

(14) The term “separate account” means an account established and maintained by an insurance company pursuant to the laws of any State or territory of the United States, the District of Columbia, or of Canada or any province thereof, under which income, gains and losses, whether or not realized, from assets allocated to such account, are, in accordance with the applicable contract, credited to or charged against such account without regard to other income, gains, or losses of the insurance company.

(15) The term “accredited investor” shall mean—

(i) a bank as defined in section 77c(a)(2) of this title whether acting in its individual or fiduciary capacity; an insurance company as defined in paragraph (13) of this subsection; an investment company registered under the Investment Company Act of 1940 [15 U.S.C. 80a-1 et seq.] or a business development company as defined in section 2(a)(48) of that Act [15 U.S.C. 80a-2(a)(48)]; a Small Business Investment Company licensed by the Small Business Administration; or an employee benefit plan, including an individual retirement account, which is subject to the provisions of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1001 et seq.], if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such Act [29 U.S.C. 1002(21)], which is either a bank, insurance company, or registered investment adviser; or

(ii) any person who, on the basis of such factors as financial sophistication, net worth, knowledge, and experience in financial matters, or amount of assets under management qualifies as an accredited investor under rules and regulations which the Commission shall prescribe.

(16) The terms “security future”, “narrow-based security index”, and “security futures product” have the same meanings as provided in section 78c(a)(55) of this title.

**(b) Consideration of promotion of efficiency, competition, and capital formation**

Whenever pursuant to this subchapter the Commission is engaged in rulemaking and is required to consider or determine whether an action is necessary or appropriate in the public interest, the Commission shall also consider, in addition to the protection of investors, whether the action will promote efficiency, competition, and capital formation.

(May 27, 1933, ch. 38, title I, § 2, 48 Stat. 74; June 6, 1934, ch. 404, title II, § 201, 48 Stat. 905; Aug. 10, 1954, ch. 667, title I, §§ 1-4, 68 Stat. 683, 684; Pub. L. 86-70, § 12(a), June 25, 1959, 73 Stat. 143; Pub. L. 86-624, § 7(a), July 12, 1960, 74 Stat. 412; Pub. L. 91-547, § 27(a), Dec. 14, 1970, 84 Stat. 1433; Pub. L. 96-477, title VI, § 603, Oct. 21, 1980, 94 Stat. 2294; Pub. L. 97-303, § 1, Oct. 13, 1982, 96 Stat. 1409; Pub. L. 100-181, title II, §§ 201, 202, Dec. 4, 1987, 101 Stat. 1252; Pub. L. 104-290, title I, § 106(a), Oct. 11, 1996, 110 Stat. 3424; Pub. L. 105-353, title III, § 301(a)(1), Nov. 3, 1998, 112 Stat. 3235; Pub. L. 106-554, § 1(a)(5) [title II, § 208(a)(1)], Dec. 21, 2000, 114 Stat. 2763, 2763A-434; Pub. L. 111-203, title VII, § 768(a), July 21, 2010, 124 Stat. 1800.)

AMENDMENT OF SUBSECTION (a)

*Pub. L. 111-203, title VII, §§ 768(a), 774, July 21, 2010, 124 Stat. 1800, 1802, provided that, effective on the later of 360 days after July 21, 2010, or, to the extent a provision of subtitle B (§§ 761-774) of title VII of Pub. L. 111-203 requires a rulemaking, not less than 60 days after publication of the final rule or regulation implementing such provision of subtitle B, subsection (a) of this section is amended as follows:*

*(1) in paragraph (1), by inserting “security-based swap,” after “security future.”;*

*(2) in paragraph (3), by adding at the end the following: “Any offer or sale of a security-based*

<sup>1</sup> So in original.

*swap by or on behalf of the issuer of the securities upon which such security-based swap is based or is referenced, an affiliate of the issuer, or an underwriter, shall constitute a contract for sale of, sale of, offer for sale, or offer to sell such securities.”; and*

(3) *by adding at the end the following:*

(17) *The terms “swap” and “security-based swap” have the same meanings as in section 1a of title 7.*

(18) *The terms “purchase” or “sale” of a security-based swap shall be deemed to mean the execution, termination (prior to its scheduled maturity date), assignment, exchange, or similar transfer or conveyance of, or extinguishing of rights or obligations under, a security-based swap, as the context may require.*

#### REFERENCES IN TEXT

The Investment Company Act of 1940, referred to in subsec. (a)(15)(i), is title I of act Aug. 22, 1940, ch. 686, 54 Stat. 789, as amended, which is classified generally to subchapter I (§80a-1 et seq.) of chapter 2D of this title. For complete classification of this Act to the Code, see section 80a-51 of this title and Tables.

The Employee Retirement Income Security Act of 1974, referred to in subsec. (a)(15)(i), is Pub. L. 93-406, Sept. 2, 1974, 88 Stat. 829, as amended, which is classified principally to chapter 18 (§1001 et seq.) of Title 29, Labor. For complete classification of this Act to the Code, see Short Title note set out under section 1001 of Title 29 and Tables.

#### CODIFICATION

Words “Philippine Islands” deleted from definition of term “Territory” under authority of Proc. No. 2695, eff. July 4, 1946, 11 F.R. 7517, 60 Stat. 1352, which granted independence to the Philippine Islands. Proc. No. 2695 was issued pursuant to section 1394 of Title 22, Foreign Relations and Intercourse, and is set out as a note under that section.

#### AMENDMENTS

2000—Subsec. (a)(1). Pub. L. 106-554, §1(a)(5) [title II, §208(a)(1)(A)], inserted “security future,” after “treasury stock.”

Subsec. (a)(3). Pub. L. 106-554, §1(a)(5) [title II, §208(a)(1)(B)], inserted at end “Any offer or sale of a security futures product by or on behalf of the issuer of the securities underlying the security futures product, an affiliate of the issuer, or an underwriter, shall constitute a contract for sale of, sale of, offer for sale, or offer to sell the underlying securities.”

Subsec. (a)(16). Pub. L. 106-554, §1(a)(5) [title II, §208(a)(1)(C)], added par. (16).

1998—Subsec. (a)(15)(i). Pub. L. 105-353 made technical amendment to reference in original act which appears in text as reference to section 77c(a)(2) of this title and inserted “of this subsection” after “paragraph (13)”.

1996—Pub. L. 104-290 designated existing provisions as subsec. (a), inserted heading, and added subsec. (b).

1987—Par. (5). Pub. L. 100-181, §201, substituted “Securities and Exchange Commission” for “Federal Trade Commission”.

Par. (6). Pub. L. 100-181, §202, struck out reference to Canal Zone.

1982—Par. (1). Pub. L. 97-303 inserted “any put, call, straddle, option, or privilege on any security, certificate of deposit, 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,” after “mineral rights.”

1980—Par. (15). Pub. L. 96-477 added par. (15).

1970—Pars. (13), (14). Pub. L. 91-547 added pars. (13) and (14).

1960—Par. (6). Pub. L. 86-624 struck out reference to Hawaii.

1959—Par. (6). Pub. L. 86-70 struck out reference to Alaska.

1954—Act Aug. 10, 1954, in pars. (3), (8), (10), and (11), redefined term “sale” so as to distinguish between “offers” and “sales”, clarified definition of “registration statement”, and conformed definition of “prospectus” to changes made by act Aug. 10, 1954, to sections 77e and 77j of this title.

1934—Act June 6, 1934, amended pars. (1), (4), and (10).

#### EFFECTIVE DATE OF 2010 AMENDMENT

Pub. L. 111-203, title VII, §774, July 21, 2010, 124 Stat. 1802, provided that: “Unless otherwise provided, the provisions of this subtitle [subtitle B (§§761-774) of title VII of Pub. L. 111-203, enacting subchapter II (§8341 et seq.) of chapter 109 and sections 78c-3 to 78c-5, 78j-2, 78m-1, and 78o-10 of this title, amending this section and sections 77b-1, 77e, 77q, 78c, 78c-1, 78f, 78i, 78j, 78m, 78o, 78p, 78q-1, 78t, 78u-1, 78u-2, 78bb, 78dd, 78mm, 80a-2, and 80b-2 of this title, and amending provisions set out as a note under section 78c of this title] shall take effect on the later of 360 days after the date of the enactment of this subtitle [July 21, 2010] or, to the extent a provision of this subtitle requires a rulemaking, not less than 60 days after publication of the final rule or regulation implementing such provision of this subtitle.”

#### EFFECTIVE DATE OF 1970 AMENDMENT

Amendment by Pub. L. 91-547 effective Dec. 14, 1970, see section 30 of Pub. L. 91-547, set out as a note under section 80a-52 of this title.

#### EFFECTIVE DATE OF 1954 AMENDMENT

Section 501 of act Aug. 10, 1954, provided that: “This Act [amending this section and sections 77c to 77e, 77j, 77l, 77q, 77v, 77ccc to 77fff, 77xxx, 78k, 78l, 80a-2 and 80a-24 of this title] shall take effect sixty days after the date of its enactment [Aug. 10, 1954].”

#### TRANSFER OF FUNCTIONS

For transfer of functions of Securities and Exchange Commission, with certain exceptions, to Chairman of such Commission, see Reorg. Plan No. 10 of 1950, §§1, 2, eff. May 24, 1950, 15 F.R. 3175, 64 Stat. 1265, set out under section 78d of this title.

#### ADJUSTING THE ACCREDITED INVESTOR STANDARD

Pub. L. 111-203, title IV, §413, July 21, 2010, 124 Stat. 1577, provided that:

“(a) IN GENERAL.—The [Securities and Exchange] Commission shall adjust any net worth standard for an accredited investor, as set forth in the rules of the Commission under the Securities Act of 1933 [15 U.S.C. 77a et seq.], so that the individual net worth of any natural person, or joint net worth with the spouse of that person, at the time of purchase, is more than \$1,000,000 (as such amount is adjusted periodically by rule of the Commission), excluding the value of the primary residence of such natural person, except that during the 4-year period that begins on the date of enactment of this Act [July 21, 2010], any net worth standard shall be \$1,000,000, excluding the value of the primary residence of such natural person.

“(b) REVIEW AND ADJUSTMENT.—

“(1) INITIAL REVIEW AND ADJUSTMENT.—

“(A) INITIAL REVIEW.—The Commission may undertake a review of the definition of the term ‘accredited investor’, as such term applies to natural persons, to determine whether the requirements of the definition, excluding the requirement relating to the net worth standard described in subsection (a), should be adjusted or modified for the protection of investors, in the public interest, and in light of the economy.

“(B) ADJUSTMENT OR MODIFICATION.—Upon completion of a review under subparagraph (A), the Commission may, by notice and comment rulemaking, make such adjustments to the definition of

the term ‘accredited investor’, excluding adjusting or modifying the requirement relating to the net worth standard described in subsection (a), as such term applies to natural persons, as the Commission may deem appropriate for the protection of investors, in the public interest, and in light of the economy.

“(2) SUBSEQUENT REVIEWS AND ADJUSTMENT.—

“(A) SUBSEQUENT REVIEWS.—Not earlier than 4 years after the date of enactment of this Act [July 21, 2010], and not less frequently than once every 4 years thereafter, the Commission shall undertake a review of the definition, in its entirety, of the term ‘accredited investor’, as defined in section 230.215 of title 17, Code of Federal Regulations, or any successor thereto, as such term applies to natural persons, to determine whether the requirements of the definition should be adjusted or modified for the protection of investors, in the public interest, and in light of the economy.

“(B) ADJUSTMENT OR MODIFICATION.—Upon completion of a review under subparagraph (A), the Commission may, by notice and comment rulemaking, make such adjustments to the definition of the term ‘accredited investor’, as defined in section 230.215 of title 17, Code of Federal Regulations, or any successor thereto, as such term applies to natural persons, as the Commission may deem appropriate for the protection of investors, in the public interest, and in light of the economy.”

### § 77b-1. Swap agreements

#### (a) Non-security-based swap agreements

The definition of “security” in section 77b(a)(1) of this title does not include any non-security-based swap agreement (as defined in section 206C of the Gramm-Leach-Bliley Act).

#### (b) Security-based swap agreements

(1) The definition of “security” in section 77b(a)(1) of this title does not include any security-based swap agreement (as defined in section 206B of the Gramm-Leach-Bliley Act).

(2) The Commission is prohibited from registering, or requiring, recommending, or suggesting, the registration under this subchapter of any security-based swap agreement (as defined in section 206B of the Gramm-Leach-Bliley Act). If the Commission becomes aware that a registrant has filed a registration statement with respect to such a swap agreement, the Commission shall promptly so notify the registrant. Any such registration statement with respect to such a swap agreement shall be void and of no force or effect.

(3) The Commission is prohibited from—

(A) promulgating, interpreting, or enforcing rules; or

(B) issuing orders of general applicability;

under this subchapter in a manner that imposes or specifies reporting or recordkeeping requirements, procedures, or standards as prophylactic measures against fraud, manipulation, or insider trading with respect to any security-based swap agreement (as defined in section 206B of the Gramm-Leach-Bliley Act).

(4) References in this subchapter to the “purchase” or “sale” of a security-based swap agreement shall be deemed to mean the execution, termination (prior to its scheduled maturity date), assignment, exchange, or similar transfer or conveyance of, or extinguishing of rights or obligations under, a security-based swap agreement (as defined in section 206B of the Gramm-Leach-Bliley Act), as the context may require.

(May 27, 1933, ch. 38, title I, §2A, as added Pub. L. 106-554, §1(a)(5) [title III, §302(a)], Dec. 21, 2000, 114 Stat. 2763, 2763A-451; amended Pub. L. 111-203, title VII, §762(c)(1), July 21, 2010, 124 Stat. 1759.)

#### AMENDMENT OF SECTION

*Pub. L. 111-203, title VII, §§762(c)(1), 774, July 21, 2010, 124 Stat. 1759, 1802, provided that, effective on the later of 360 days after July 21, 2010, or, to the extent a provision of subtitle B (§§761-774) of title VII of Pub. L. 111-203 requires a rulemaking, not less than 60 days after publication of the final rule or regulation implementing such provision of subtitle B, this section is amended as follows:*

*(1) by striking subsection (a) and reserving that subsection; and*

*(2) by striking “(as defined in section 206B of the Gramm-Leach-Bliley Act)” each place that such term appears and inserting “(as defined in section 78c(a)(78) of this title)”.*

#### REFERENCES IN TEXT

Sections 206B and 206C of the Gramm-Leach-Bliley Act, referred to in text, are sections 206B and 206C of Pub. L. 106-102 which are set out in a note under section 78c of this title.

#### EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by Pub. L. 111-203 effective on the later of 360 days after July 21, 2010, or, to the extent a provision of subtitle B (§§761-774) of title VII of Pub. L. 111-203 requires a rulemaking, not less than 60 days after publication of the final rule or regulation implementing such provision of subtitle B, see section 774 of Pub. L. 111-203, set out as a note under section 77b of this title.

### § 77c. Classes of securities under this subchapter

#### (a) Exempted securities

Except as hereinafter expressly provided, the provisions of this subchapter shall not apply to any of the following classes of securities:

(1) Reserved.

(2) Any security issued or guaranteed by the United States or any territory thereof, or by the District of Columbia, or by any State of the United States, or by any political subdivision of a State or territory, or by any public instrumentality of one or more States or territories, or by any person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States; or any certificate of deposit for any of the foregoing; or any security issued or guaranteed by any bank; or any security issued by or representing an interest in or a direct obligation of a Federal Reserve bank; or any interest or participation in any common trust fund or similar fund that is excluded from the definition of the term “investment company” under section 3(c)(3) of the Investment Company Act of 1940 [15 U.S.C. 80a-3(c)(3)]; or any security which is an industrial development bond (as defined in section 103(c)(2)<sup>1</sup> of title 26) the interest on which is excludable from gross income under section 103(a)(1)<sup>1</sup> of title 26 if, by reason of the appli-

<sup>1</sup> See References in Text note below.