“(1) any transaction in connection with any security whereby any party to such transaction acquires (A) any put, call, straddle, or other option or privilege of buying the security from or selling the security to another without being bound to do so; or (B) any security future product on the security; or

“(2) any transaction in connection with any security with relation to which he has, directly or indirectly, any interest in any (A) such put, call, straddle, option, or privilege; or (B) any security futures product; or

“(3) any transaction in any security for the account of any person who he has reason to believe has, and who actually has, directly or indirectly, any interest in any (A) such put, call, straddle, option, or privilege; or (B) any security futures product with relation to such security.

Subsec. (c). Pub. L. 111–203, §929L(1)(C), inserted “broker, dealer, or” after “unlawful for any”.

Pub. L. 111–203, §928X(b), added subsec. (d) and redesignated former subsecs. (d) to (h) as (e) to (i), respectively. Former subsec. (i), relating to limitation on Commission authority, redesignated (j).


Pub. L. 111–203, §768(g), added subsec. (j) relating to regulations relating to security-based swaps.

Pub. L. 111–203, §768(d)(2)(B), which provided that the effective date of amendment to subsec. (i) by striking out “(as defined in section 206B of the Gramm-Leach-Bliley Act)”, was executed by making the strike out after “security-based swaps agreements” in subsec. (j) relating to limitation on Commission authority, to reflect the probable intent of Congress and the redesignation of subsec. (i) as (j) by Pub. L. 111–203, §928X(b)(1). See above and Effective Date of 2010 Amendment notes below.

2000—Subsec. (a)(2) to (5). Pub. L. 106–554, §1(a)(5) [title III, §303(f)], added subsec. (a)(5) [title III, §303(c)], added subsection (a) and redesignated former subsections (a) to (4) as (a)(1) to (4), respectively.

Pub. L. 111–203, §768(d)(2)(B), which directed amendment by sections 929L(1) and 929X(b) of Pub. L. 111–203 effective 1 day after July 21, 2010, except as otherwise provided, see section 4 of Pub. L. 111–203, set out as an Effective Date note under section 5301 Title 12, Banks and Banking.

Amendment by sections 762(d)(2) and 763(f), (g) of 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.

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.

§78j. Manipulative and deceptive devices

It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national securities exchange—

(a)(1) To effect a short sale, or to use or employ any stop-loss order in connection with the purchase or sale, of any security other than a government security, in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

(2) Paragraph (1) of this subsection shall not apply to security futures products.

(b) To use or employ, in connection with the purchase or sale of any security registered on a national securities exchange or any security not so registered, or any securities-based swap agreement any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

(c)(1) To effect, accept, or facilitate a transaction involving the loan or borrowing of security futures product on the security; or

Subsec. (b)(1). Pub. L. 106–554, §1(a)(5) [title II, §205(a)(1)(A)], inserted “(A)” after “acquires” and substituted “; or” for “; or”.

Subsec. (b)(2). Pub. L. 106–554, §1(a)(5) [title II, §205(a)(1)(B)], inserted “(A)” after “interest in any” and substituted “; or” for “; or”.

Subsec. (b)(3). Pub. L. 106–554, §1(a)(5) [title II, §205(a)(1)(C)], inserted “(A)” after “interest in any” and “; or” for “; or”.

Subsec. (g). Pub. L. 106–554, §1(a)(5) [title II, §205(a)(2)], redesignated existing provisions as par. (1), inserted “other than a security futures product” after “future delivery”; and added par. (2).


1982—Subsec. (f). Pub. L. 97–303, §8(1), substituted “The provisions of subsection (a) shall not apply” for “The provisions of this section shall not apply”.


Effective Date of 2010 Amendment

Amendment by sections 929L(1) and 929X(b) of Pub. L. 111–203 effective 1 day after July 21, 2010, except as otherwise provided, see section 4 of Pub. L. 111–203, set out as an Effective Date note under section 5301 Title 12, Banks and Banking.
rities in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

(2) Nothing in paragraph (1) may be construed to limit the authority of the appropriate Federal banking agency (as defined in section 1813(q) of title 12), the National Credit Union Administration, or any other Federal department or agency having a responsibility under Federal law to prescribe rules or regulations restricting transactions involving the loan or borrowing of securities in order to protect the safety and soundness of a financial institution or to protect the financial system from systemic risk.

Rules promulgated under subsection (b) that prohibit fraud, manipulation, or insider trading (but not rules imposing or specifying reporting or recordkeeping requirements, procedures, or standards as prophylactic measures against fraud, manipulation, or insider trading), and judicial precedents decided under subsection (b) shall apply to security-based swap agreements to the same extent as they apply to securities, shall apply to security-based swap agreements to the same extent as they apply to securities, shall apply to security-based swap agreements to the same extent as they apply to securities, and shall apply to security-based swap agreements to the same extent as they apply to securities.


Subsec. (a). Pub. L. 106–554, § 1(a)(5) [title II, § 206(g)], designated existing provisions as par. (1) and added par. (2).

Subsec. (b). Pub. L. 106–554, § 1(a)(5) [title III, § 303(d)(1)], inserted ‘‘or any securities-based swap agreement (as defined in section 206B of the Gramm-Leach-Bliley Act),’’ before ‘‘any manipulative or deceptive device’’.

**Effective Date of 2010 Amendment**

Amendment by sections 929L(2) and 984(a) of Pub. L. 111–203 effective 1 day after July 21, 2010, except as otherwise provided, see section 4 of Pub. L. 111–203, set out as an Effective Date note under section 5301 Title 12, Banks and Banking.

Amendment by section 762(d)(3) of 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 77(b) of this title.

**Regulations**

Pub. L. 111–203, title IX, § 984(b), July 21, 2010, 124 Stat. 1243, provided that: ‘‘Not later than 2 years after the date of enactment of this Act (July 21, 2010), the Commission shall promulgate rules that are designed to increase the transparency of information available to brokers, dealers, and investors, with respect to the loan or borrowing of securities.’’

[For definitions of terms used in section 984(b) of Pub. L. 111–203, set out above, see section 5301 of Title 12, Banks and Banking.]

**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 761 of this title.

**Prohibition of Insider Trading**


**Application of Insider Trading Laws**

Pub. L. 112–105, § 9(b)(1), Apr. 4, 2012, 126 Stat. 297, provided that: ‘‘Executive branch employees, judicial officers, and judicial employees are not exempt from the insider trading prohibitions arising under the securities laws, including section 10(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78j(b)) and Rule 10b–5 thereunder.’’

**§ 78j–1. Audit requirements**

(a) In general

Each audit required pursuant to this chapter of the financial statements of an issuer by a registered public accounting firm shall include, in accordance with generally accepted auditing standards, as may be modified or supplemented from time to time by the Commission—

(1) procedures designed to provide reasonable assurance of detecting illegal acts that would have a direct and material effect on the determination of financial statement amounts;

(2) procedures designed to identify related party transactions that are material to the financial statements or otherwise require disclosure therein; and...