

ties or real estate to the same extent as any obligation issued by or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Any State may, prior to the expiration of seven years after October 3, 1984, enact a statute that specifically refers to this section and requires registration or qualification of any such security on terms that differ from those applicable to any obligation issued by the United States.

(d) Implementation

(1) Limitation

The provisions of subsections (a) and (b) concerning small business related securities shall not apply with respect to a particular person, trust, corporation, partnership, association, business trust, or business entity or class thereof in any State that, prior to the expiration of 7 years after September 23, 1994, enacts a statute that specifically refers to this section and either prohibits or provides for a more limited authority to purchase, hold, or invest in such small business related securities by any person, trust, corporation, partnership, association, business trust, or business entity or class thereof than is provided in this section. The enactment by any State of any statute of the type described in the preceding sentence shall not affect the validity of any contractual commitment to purchase, hold, or invest that was made prior to such enactment, and shall not require the sale or other disposition of any small business related securities acquired prior to the date of such enactment.

(2) State registration or qualification requirements

Any State may, not later than 7 years after September 23, 1994, enact a statute that specifically refers to this section and requires registration or qualification of any small business related securities on terms that differ from those applicable to any obligation issued by the United States.

(Pub. L. 98-440, title I, §106, Oct. 3, 1984, 98 Stat. 1691; Pub. L. 103-325, title II, §207, Sept. 23, 1994, 108 Stat. 2199.)

Editorial Notes

REFERENCES IN TEXT

Section 77d(5) of this title, referred to in subsecs. (a)(1)(A), (2)(A) and (c), was redesignated section 77d(a)(5) of this title by Pub. L. 112-106, title II, §201(b)(1), (c)(1), Apr. 5, 2012, 126 Stat. 314.

CODIFICATION

Section was enacted as part of the Secondary Mortgage Market Enhancement Act of 1984, and not as part of the Securities Act of 1933, which comprises this subchapter.

AMENDMENTS

1994—Subsec. (a)(1)(B) to (D). Pub. L. 103-325, §207(a), struck out “or” at end of subpar. (B), added subpar. (C), and redesignated former subpar. (C) as (D).

Subsec. (a)(2)(B) to (D). Pub. L. 103-325, §207(b), struck out “or” at end of subpar. (B), added subpar. (C), and redesignated former subpar. (C) as (D).

Subsec. (c). Pub. L. 103-325, §207(c), in first sentence substituted “, that” for “or that” before “are mortgage related securities” and inserted “, or that are

small business related securities (as defined in section 78c(a)(53) of this title)” before “shall be exempt”.

Subsec. (d). Pub. L. 103-325, §207(d), added subsec. (d).

§ 77s. Special powers of Commission

(a) Rules and regulations

The Commission shall have authority from time to time to make, amend, and rescind such rules and regulations as may be necessary to carry out the provisions of this subchapter, including rules and regulations governing registration statements and prospectuses for various classes of securities and issuers, and defining accounting, technical, and trade terms used in this subchapter. Among other things, the Commission shall have authority, for the purposes of this subchapter, to prescribe the form or forms in which required information shall be set forth, the items or details to be shown in the balance sheet and earning statement, and the methods to be followed in the preparation of accounts, in the appraisal or valuation of assets and liabilities, in the determination of depreciation and depletion, in the differentiation of recurring and nonrecurring income, in the differentiation of investment and operating income, and in the preparation, where the Commission deems it necessary or desirable, of consolidated balance sheets or income accounts of any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer. The rules and regulations of the Commission shall be effective upon publication in the manner which the Commission shall prescribe. No provision of this subchapter imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule or regulation of the Commission, notwithstanding that such rule or regulation may, after such act or omission, be amended or rescinded or be determined by judicial or other authority to be invalid for any reason.

(b) Recognition of accounting standards

(1) In general

In carrying out its authority under subsection (a) and under section 13(b) of the Securities Exchange Act of 1934 [15 U.S.C. 78m(b)], the Commission may recognize, as “generally accepted” for purposes of the securities laws, any accounting principles established by a standard setting body—

(A) that—

(i) is organized as a private entity;

(ii) has, for administrative and operational purposes, a board of trustees (or equivalent body) serving in the public interest, the majority of whom are not, concurrent with their service on such board, and have not been during the 2-year period preceding such service, associated persons of any registered public accounting firm;

(iii) is funded as provided in section 7219 of this title;

(iv) has adopted procedures to ensure prompt consideration, by majority vote of its members, of changes to accounting principles necessary to reflect emerging accounting issues and changing business practices; and

(v) considers, in adopting accounting principles, the need to keep standards current in order to reflect changes in the business environment, the extent to which international convergence on high quality accounting standards is necessary or appropriate in the public interest and for the protection of investors; and

(B) that the Commission determines has the capacity to assist the Commission in fulfilling the requirements of subsection (a) and section 13(b) of the Securities Exchange Act of 1934 [15 U.S.C. 78m(b)], because, at a minimum, the standard setting body is capable of improving the accuracy and effectiveness of financial reporting and the protection of investors under the securities laws.

(2) Annual report

A standard setting body described in paragraph (1) shall submit an annual report to the Commission and the public, containing audited financial statements of that standard setting body.

(c) Production of evidence

For the purpose of all investigations which, in the opinion of the Commission, are necessary and proper for the enforcement of this subchapter, any member of the Commission or any officer or officers designated by it are empowered to administer oaths and affirmations, subpoena witnesses, take evidence, and require the production of any books, papers, or other documents which the Commission deems relevant or material to the inquiry. Such attendance of witnesses and the production of such documentary evidence may be required from any place in the United States or any Territory at any designated place of hearing.

(d) Federal and State cooperation

(1) The Commission is authorized to cooperate with any association composed of duly constituted representatives of State governments whose primary assignment is the regulation of the securities business within those States, and which, in the judgment of the Commission, could assist in effectuating greater uniformity in Federal-State securities matters. The Commission shall, at its discretion, cooperate, coordinate, and share information with such an association for the purposes of carrying out the policies and projects set forth in paragraphs (2) and (3).

(2) It is the declared policy of this subsection that there should be greater Federal and State cooperation in securities matters, including—

- (A) maximum effectiveness of regulation,
- (B) maximum uniformity in Federal and State regulatory standards,
- (C) minimum interference with the business of capital formation, and
- (D) a substantial reduction in costs and paperwork to diminish the burdens of raising investment capital (particularly by small business) and to diminish the costs of the administration of the Government programs involved.

(3) The purpose of this subsection is to engender cooperation between the Commission, any such association of State securities officials,

and other duly constituted securities associations in the following areas:

(A) the sharing of information regarding the registration or exemption of securities issues applied for in the various States;

(B) the development and maintenance of uniform securities forms and procedures; and

(C) the development of a uniform exemption from registration for small issuers which can be agreed upon among several States or between the States and the Federal Government. The Commission shall have the authority to adopt such an exemption as agreed upon for Federal purposes. Nothing in this chapter shall be construed as authorizing preemption of State law.

(4) In order to carry out these policies and purposes, the Commission shall conduct an annual conference as well as such other meetings as are deemed necessary, to which representatives from such securities associations, securities self-regulatory organizations, agencies, and private organizations involved in capital formation shall be invited to participate.

(5) For fiscal year 1982, and for each of the three succeeding fiscal years, there are authorized to be appropriated such amounts as may be necessary and appropriate to carry out the policies, provisions, and purposes of this subsection. Any sums so appropriated shall remain available until expended.

(6) Notwithstanding any other provision of law, neither the Commission nor any other person shall be required to establish any procedures not specifically required by the securities laws, as that term is defined in section 3(a)(47) of the Securities Exchange Act of 1934 [15 U.S.C. 78c(a)(47)], or by chapter 5 of title 5, in connection with cooperation, coordination, or consultation with—

(A) any association referred to in paragraph (1) or (3) or any conference or meeting referred to in paragraph (4), while such association, conference, or meeting is carrying out activities in furtherance of the provisions of this subsection; or

(B) any forum, agency, or organization, or group referred to in section 80c-1 of this title, while such forum, agency, organization, or group is carrying out activities in furtherance of the provisions of such section 80c-1.

As used in this paragraph, the terms “association”, “conference”, “meeting”, “forum”, “agency”, “organization”, and “group” include any committee, subgroup, or representative of such entities.

(e) Evaluation of rules or programs

For the purpose of evaluating any rule or program of the Commission issued or carried out under any provision of the securities laws, as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c), and the purposes of considering, proposing, adopting, or engaging in any such rule or program or developing new rules or programs, the Commission may—

(1) gather information from and communicate with investors or other members of the public;

(2) engage in such temporary investor testing programs as the Commission determines

are in the public interest or would protect investors; and

(3) consult with academics and consultants, as necessary to carry out this subsection.

(f) Rule of construction

For purposes of the Paperwork Reduction Act (44 U.S.C. 3501 et seq.), any action taken under subsection (e) shall not be construed to be a collection of information.

(g) Funding for the GASB

(1) In general

The Commission may, subject to the limitations imposed by section 15B of the Securities Exchange Act of 1934 (15 U.S.C. 78o-4), require a national securities association registered under the Securities Exchange Act of 1934 [15 U.S.C. 78a et seq.] to establish—

(A) a reasonable annual accounting support fee to adequately fund the annual budget of the Governmental Accounting Standards Board (referred to in this subsection as the “GASB”); and

(B) rules and procedures, in consultation with the principal organizations representing State governors, legislators, local elected officials, and State and local finance officers, to provide for the equitable allocation, assessment, and collection of the accounting support fee established under subparagraph (A) from the members of the association, and the remittance of all such accounting support fees to the Financial Accounting Foundation.

(2) Annual budget

For purposes of this subsection, the annual budget of the GASB is the annual budget reviewed and approved according to the internal procedures of the Financial Accounting Foundation.

(3) Use of funds

Any fees or funds collected under this subsection shall be used to support the efforts of the GASB to establish standards of financial accounting and reporting recognized as generally accepted accounting principles applicable to State and local governments of the United States.

(4) Limitation on fee

The annual accounting support fees collected under this subsection for a fiscal year shall not exceed the recoverable annual budgeted expenses of the GASB (which may include operating expenses, capital, and accrued items).

(5) Rules of construction

(A) Fees not public monies

Accounting support fees collected under this subsection and other receipts of the GASB shall not be considered public monies of the United States.

(B) Limitation on authority of the Commission

Nothing in this subsection shall be construed to—

(i) provide the Commission or any national securities association direct or indi-

rect oversight of the budget or technical agenda of the GASB; or

(ii) affect the setting of generally accepted accounting principles by the GASB.

(C) Noninterference with States

Nothing in this subsection shall be construed to impair or limit the authority of a State or local government to establish accounting and financial reporting standards.

(May 27, 1933, ch. 38, title I, §19, 48 Stat. 85; June 6, 1934, ch. 404, title II, §209, 48 Stat. 908; Pub. L. 94-210, title III, §308(a)(2), Feb. 5, 1976, 90 Stat. 57; Pub. L. 96-477, title V, §505, Oct. 21, 1980, 94 Stat. 2292; Pub. L. 100-181, title II, §207, Dec. 4, 1987, 101 Stat. 1252; Pub. L. 107-204, title I, §108(a), July 30, 2002, 116 Stat. 768; Pub. L. 111-203, title IX, §§912, 978(a), 985(a)(3), July 21, 2010, 124 Stat. 1824, 1924, 1933.)

Editorial Notes

REFERENCES IN TEXT

The Paperwork Reduction Act, referred to in subsec. (f), probably means chapter 35 (§3501 et seq.) of Title 44, Public Printing and Documents. See Short Title note set out under section 3501 of Title 44.

The Securities Exchange Act of 1934, referred to in subsec. (g)(1), is act June 6, 1934, ch. 404, 48 Stat. 881, which is classified principally to chapter 2B (§78a et seq.) of this title. For complete classification of this Act to the Code, see section 78a of this title and Tables.

AMENDMENTS

2010—Subsec. (d)(6)(A). Pub. L. 111-203, §985(a)(3), which directed substitution of “in paragraph (1) or (3)” for “in paragraph (1) of (3)”, could not be executed because the phrase “in paragraph (1) of (3)” did not appear.

Subsecs. (e), (f). Pub. L. 111-203, §912, added subsecs. (e) and (f).

Subsec. (g). Pub. L. 111-203, §978(a), added subsec. (g). 2002—Subsecs. (b) to (d). Pub. L. 107-204 added subsec. (b) and redesignated former subsecs. (b) and (c) as (c) and (d), respectively.

1987—Subsec. (c)(6). Pub. L. 100-181 added par. (6).

1980—Subsec. (c). Pub. L. 96-477 added subsec. (c).

1976—Subsec. (a). Pub. L. 94-210 struck out provisions relating to rules and regulations applicable to any common carrier subject to the provisions of section 20 of title 49.

1934—Subsec. (a). Act June 6, 1934, inserted “technical” in first sentence and inserted last sentence.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by 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 of Title 12, Banks and Banking.

EFFECTIVE DATE OF 1980 AMENDMENT

Amendment by Pub. L. 96-477 effective Jan. 1, 1981, see section 507 of Pub. L. 96-477, set out as an Effective Date note under section 80c of this title.

EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by Pub. L. 94-210 effective on 60th day after Feb. 5, 1976, but not applicable to any bona fide offering of a security made by the issuer, or by or through an underwriter, before such 60th day, see section 308(d)(1) of Pub. L. 94-210, set out as a note under section 77c of this title.

PARITY FOR REGISTERED INDEX-LINKED ANNUITIES REGARDING REGISTRATION RULES

Pub. L. 117-328, div. AA, title I, §101, Dec. 29, 2022, 136 Stat. 5528, provided that:

“(a) DEFINITIONS.—In this section:

“(1) COMMISSION.—The term ‘Commission’ means the Securities and Exchange Commission.

“(2) INVESTMENT COMPANY.—The term ‘investment company’ has the meaning given the term in section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a-3).

“(3) MARKET VALUE ADJUSTMENT.—The term ‘market value adjustment’ means, with respect to a registered index-linked annuity, after an early withdrawal or contract discontinuance—

“(A) an adjustment to the value of that annuity based on calculations using a predetermined formula; or

“(B) a change in interest rates (or other factor, as determined by the Commission) that apply to that annuity.

“(4) PURCHASER.—The term ‘purchaser’ means a purchaser of a registered index-linked annuity.

“(5) REGISTERED INDEX-LINKED ANNUITY.—The term ‘registered index-linked annuity’ means an annuity—

“(A) that is deemed to be a security;

“(B) that is registered with the Commission in accordance with section 5 of the Securities Act of 1933 (15 U.S.C. 77e);

“(C) that is issued by an insurance company that is subject to the supervision of—

“(i) the insurance commissioner or bank commissioner of any State; or

“(ii) any agency or officer performing like functions as a commissioner described in clause (i);

“(D) that is not issued by an investment company; and

“(E) the returns of which—

“(i) are based on the performance of a specified benchmark index or rate (or a registered exchange traded fund that seeks to track the performance of a specified benchmark index or rate); and

“(ii) may be subject to a market value adjustment if amounts are withdrawn before the end of the period during which that market value adjustment applies.

“(6) SECURITY.—The term ‘security’ has the meaning given the term in section 2(a) of the Securities Act of 1933 (15 U.S.C. 77b(a)).

“(b) RULES.—

“(1) IN GENERAL.—Not later than 180 days after the date of enactment of this Act [Dec. 29, 2022], the Commission shall propose, and, not later than 18 months after the date of enactment of this Act, the Commission shall prepare and finalize, new or amended rules, as appropriate, to establish a new form in accordance with paragraph (2) on which an issuer of a registered index-linked annuity may register that registered index-linked annuity, subject to conditions the Commission determines appropriate, which may include requiring the issuer to take the steps described in section 240.12h-7(e) of title 17, Code of Federal Regulations, or any successor regulation, with respect to the registered index-linked annuity.

“(2) DESIGN OF FORM.—In developing the form required to be established under paragraph (1), the Commission shall—

“(A) design the form to ensure that a purchaser using the form receives the information necessary to make knowledgeable decisions, taking into account—

“(i) the availability of information;

“(ii) the knowledge and sophistication of that class of purchasers;

“(iii) the complexity of the registered index-linked annuity; and

“(iv) any other factor the Commission determines appropriate;

“(B) engage in investor testing; and

“(C) incorporate the results of the testing required under subparagraph (B) in the design of the form, with the goal of ensuring that key information is conveyed in terms that a purchaser is able to understand.

“(c) TREATMENT IF RULES NOT PREPARED AND FINALIZED IN A TIMELY MANNER.—

“(1) IN GENERAL.—If, as of the date that is 18 months after the date of enactment of this Act, the Commission has failed to prepare and finalize the rules required under subsection (b)(1), any registered index-linked annuity may be registered on the form described in section 239.17b of title 17, Code of Federal Regulations, or any successor regulation.

“(2) PREPARATION.—A registration described in paragraph (1) shall be prepared pursuant to applicable provisions of the form described in that paragraph.

“(3) TERMINATION.—This subsection shall terminate upon the establishment by the Commission of the form described in subsection (b).

“(d) RULES OF CONSTRUCTION.—Nothing in this section may be construed to—

“(1) limit the authority of the Commission to—

“(A) determine the information to be requested in the form described in subsection (b); or

“(B) extend the eligibility for the form described in subsection (b) to a product that is similar to, but is not, a registered index-linked annuity; or

“(2) preempt any State law, regulation, rule, or order.”

STUDY ON MODERNIZATION AND SIMPLIFICATION OF REGULATION S-K

Pub. L. 114-94, div. G, title LXXII, § 72003, Dec. 4, 2015, 129 Stat. 1785, provided that:

“(a) STUDY.—The Securities and Exchange Commission shall carry out a study of the requirements contained in regulation S-K (17 CFR 229.10 et seq.). Such study shall—

“(1) determine how best to modernize and simplify such requirements in a manner that reduces the costs and burdens on issuers while still providing all material information;

“(2) emphasize a company by company approach that allows relevant and material information to be disseminated to investors without boilerplate language or static requirements while preserving completeness and comparability of information across registrants; and

“(3) evaluate methods of information delivery and presentation and explore methods for discouraging repetition and the disclosure of immaterial information.

“(b) CONSULTATION.—In conducting the study required under subsection (a), the Commission shall consult with the Investor Advisory Committee and the Advisory Committee on Small and Emerging Companies.

“(c) REPORT.—Not later than the end of the 360-day period beginning on the date of enactment of this Act [Dec. 4, 2015], the Commission shall issue a report to the Congress containing—

“(1) all findings and determinations made in carrying out the study required under subsection (a);

“(2) specific and detailed recommendations on modernizing and simplifying the requirements in regulation S-K in a manner that reduces the costs and burdens on companies while still providing all material information; and

“(3) specific and detailed recommendations on ways to improve the readability and navigability of disclosure documents and to discourage repetition and the disclosure of immaterial information.

“(d) RULEMAKING.—Not later than the end of the 360-day period beginning on the date that the report is issued to the Congress under subsection (c), the Commission shall issue a proposed rule to implement the recommendations of the report issued under subsection (c).

“(e) RULE OF CONSTRUCTION.—Revisions made to regulation S-K by the Commission under section 202 [probably means section 72002 of Pub. L. 114-94, set out as a note under section 77g of this title] shall not be construed as satisfying the rulemaking requirements under this section.”

Executive Documents

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.

§ 77t. Injunctions and prosecution of offenses

(a) Investigation of violations

Whenever it shall appear to the Commission, either upon complaint or otherwise, that the provisions of this subchapter, or of any rule or regulation prescribed under authority thereof, have been or are about to be violated, it may, in its discretion, either require or permit such person to file with it a statement in writing, under oath, or otherwise, as to all the facts and circumstances concerning the subject matter which it believes to be in the public interest to investigate, and may investigate such facts.

(b) Action for injunction or criminal prosecution in district court

Whenever it shall appear to the Commission that any person is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this subchapter, or of any rule or regulation prescribed under authority thereof, the Commission may, in its discretion, bring an action in any district court of the United States, or United States court of any Territory, to enjoin such acts or practices, and upon a proper showing, a permanent or temporary injunction or restraining order shall be granted without bond. The Commission may transmit such evidence as may be available concerning such acts or practices to the Attorney General who may, in his discretion, institute the necessary criminal proceedings under this subchapter. Any such criminal proceeding may be brought either in the district wherein the transmittal of the prospectus or security complained of begins, or in the district wherein such prospectus or security is received.

(c) Writ of mandamus

Upon application of the Commission, the district courts of the United States and the United States courts of any Territory shall have jurisdiction to issue writs of mandamus commanding any person to comply with the provisions of this subchapter or any order of the Commission made in pursuance thereof.

(d) Money penalties in civil actions

(1) Authority of Commission

Whenever it shall appear to the Commission that any person has violated any provision of this subchapter, the rules or regulations thereunder, or a cease-and-desist order entered by the Commission pursuant to section 77h-1 of this title, other than by committing a violation subject to a penalty pursuant to section 78u-1 of this title, the Commission may bring an action in a United States district court to seek, and the court shall have jurisdiction to impose, upon a proper showing, a civil penalty to be paid by the person who committed such violation.

(2) Amount of penalty

(A) First tier

The amount of the penalty shall be determined by the court in light of the facts and circumstances. For each violation, the amount of the penalty shall not exceed the greater of (i) \$5,000 for a natural person or \$50,000 for any other person, or (ii) the gross amount of pecuniary gain to such defendant as a result of the violation.

(B) Second tier

Notwithstanding subparagraph (A), the amount of penalty for each such violation shall not exceed the greater of (i) \$50,000 for a natural person or \$250,000 for any other person, or (ii) the gross amount of pecuniary gain to such defendant as a result of the violation, if the violation described in paragraph (1) involved fraud, deceit, manipulation, or deliberate or reckless disregard of a regulatory requirement.

(C) Third tier

Notwithstanding subparagraphs (A) and (B), the amount of penalty for each such violation shall not exceed the greater of (i) \$100,000 for a natural person or \$500,000 for any other person, or (ii) the gross amount of pecuniary gain to such defendant as a result of the violation, if—

(I) the violation described in paragraph (1) involved fraud, deceit, manipulation, or deliberate or reckless disregard of a regulatory requirement; and

(II) such violation directly or indirectly resulted in substantial losses or created a significant risk of substantial losses to other persons.

(3) Procedures for collection

(A) Payment of penalty to Treasury

A penalty imposed under this section shall be payable into the Treasury of the United States, except as otherwise provided in section 7246 of this title and section 78u-6 of this title.

(B) Collection of penalties

If a person upon whom such a penalty is imposed shall fail to pay such penalty within the time prescribed in the court's order, the Commission may refer the matter to the Attorney General who shall recover such penalty by action in the appropriate United States district court.

(C) Remedy not exclusive

The actions authorized by this subsection may be brought in addition to any other action that the Commission or the Attorney General is entitled to bring.

(D) Jurisdiction and venue

For purposes of section 77v of this title, actions under this section shall be actions to enforce a liability or a duty created by this subchapter.

(4) Special provisions relating to a violation of a cease-and-desist order

In an action to enforce a cease-and-desist order entered by the Commission pursuant to