

such portion or amount, as the case may be, shall not be recoverable.

(May 27, 1933, ch. 38, title I, § 12, 48 Stat. 84; Aug. 10, 1954, ch. 667, title I, § 9, 68 Stat. 686; Pub. L. 104-67, title I, § 105, Dec. 22, 1995, 109 Stat. 757; Pub. L. 106-554, § 1(a)(5) [title II, § 208(a)(3)], Dec. 21, 2000, 114 Stat. 2763, 2763A-435.)

#### AMENDMENTS

2000—Subsec. (a)(2). Pub. L. 106-554 substituted “paragraphs (2) and (14)” for “paragraph (2)”.

1995—Pub. L. 104-67 designated existing provisions as subsec. (a), inserted heading, inserted “, subject to subsection (b),” after “shall be liable” in concluding provisions, and added subsec. (b).

1954—Act Aug. 10, 1954, inserted “offers or” before “sells” in pars. (1) and (2).

#### EFFECTIVE DATE OF 1995 AMENDMENT

Pub. L. 104-67, title I, § 108, Dec. 22, 1995, 109 Stat. 758, provided that: “The amendments made by this title [enacting sections 77z-1, 77z-2, 78u-4, and 78u-5 of this title and amending this section and sections 77t, 78o, 78t, and 78u of this title and section 1964 of Title 18, Crimes and Criminal Procedure] shall not affect or apply to any private action arising under title I of the Securities Exchange Act of 1934 [15 U.S.C. 78a et seq.] or title I of the Securities Act of 1933 [15 U.S.C. 77a et seq.], commenced before and pending on the date of enactment of this Act [Dec. 22, 1995].”

#### EFFECTIVE DATE OF 1954 AMENDMENT

Amendment by act Aug. 10, 1954, effective 60 days after Aug. 10, 1954, see note under section 77b of this title.

#### CONSTRUCTION OF 1995 AMENDMENT

Nothing in amendment by Pub. L. 104-67 to be deemed to create or ratify any implied right of action, or to prevent Commission, by rule or regulation, from restricting or otherwise regulating private actions under Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.), see section 203 of Pub. L. 104-67, set out as a Construction note under section 78j-1 of this title.

### § 77m. Limitation of actions

No action shall be maintained to enforce any liability created under section 77k or 77l(a)(2) of this title unless brought within one year after the discovery of the untrue statement or the omission, or after such discovery should have been made by the exercise of reasonable diligence, or, if the action is to enforce a liability created under section 77l(a)(1) of this title, unless brought within one year after the violation upon which it is based. In no event shall any such action be brought to enforce a liability created under section 77k or 77l(a)(1) of this title more than three years after the security was bona fide offered to the public, or under section 77l(a)(2) of this title more than three years after the sale.

(May 27, 1933, ch. 38, title I, § 13, 48 Stat. 84; June 6, 1934, ch. 404, title II, § 207, 48 Stat. 908; Pub. L. 105-353, title III, § 301(a)(3), Nov. 3, 1998, 112 Stat. 3235.)

#### AMENDMENTS

1998—Pub. L. 105-353 substituted “77l(a)(2)” for “77l(2)” in two places and “77l(a)(1)” for “77l(1)” in two places.

1934—Act June 6, 1934, substituted “one year” for “two years”, “three years” for “ten years”, and inserted “or under section 77l(2) of this title more than three years after the sale”.

### § 77n. Contrary stipulations void

Any condition, stipulation, or provision binding any person acquiring any security to waive compliance with any provision of this subchapter or of the rules and regulations of the Commission shall be void.

(May 27, 1933, ch. 38, title I, § 14, 48 Stat. 84.)

#### 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.

### § 77o. Liability of controlling persons

#### (a) Controlling persons

Every person who, by or through stock ownership, agency, or otherwise, or who, pursuant to or in connection with an agreement or understanding with one or more other persons by or through stock ownership, agency, or otherwise, controls any person liable under sections 77k or 77l of this title, shall also be liable jointly and severally with and to the same extent as such controlled person to any person to whom such controlled person is liable, unless the controlling person had no knowledge of or reasonable ground to believe in the existence of the facts by reason of which the liability of the controlled person is alleged to exist.

#### (b) Prosecution of persons who aid and abet violations

For purposes of any action brought by the Commission under subparagraph (b) or (d) of section 77t of this title, any person that knowingly or recklessly provides substantial assistance to another person in violation of a provision of this subchapter, or of any rule or regulation issued under this subchapter, shall be deemed to be in violation of such provision to the same extent as the person to whom such assistance is provided.

(May 27, 1933, ch. 38, title I, § 15, 48 Stat. 84; June 6, 1934, ch. 404, title II, § 208, 48 Stat. 908; Pub. L. 111-203, title IX, § 929M(a), July 21, 2010, 124 Stat. 1861.)

#### AMENDMENTS

2010—Pub. L. 111-203 designated existing provisions as subsec. (a), inserted heading, and added subsec. (b).

1934—Act June 6, 1934, exempted from liability controlling persons having no knowledge or reasonable grounds for belief.

#### 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.

### § 77p. Additional remedies; limitation on remedies

#### (a) Remedies additional

Except as provided in subsection (b), the rights and remedies provided by this subchapter shall be in addition to any and all other rights and remedies that may exist at law or in equity.

#### (b) Class action limitations

No covered class action based upon the statutory or common law of any State or subdivision

thereof may be maintained in any State or Federal court by any private party alleging—

- (1) an untrue statement or omission of a material fact in connection with the purchase or sale of a covered security; or
- (2) that the defendant used or employed any manipulative or deceptive device or contrivance in connection with the purchase or sale of a covered security.

**(c) Removal of covered class actions**

Any covered class action brought in any State court involving a covered security, as set forth in subsection (b), shall be removable to the Federal district court for the district in which the action is pending, and shall be subject to subsection (b).

**(d) Preservation of certain actions**

**(1) Actions under State law of State of incorporation**

**(A) Actions preserved**

Notwithstanding subsection (b) or (c), a covered class action described in subparagraph (B) of this paragraph that is based upon the statutory or common law of the State in which the issuer is incorporated (in the case of a corporation) or organized (in the case of any other entity) may be maintained in a State or Federal court by a private party.

**(B) Permissible actions**

A covered class action is described in this subparagraph if it involves—

- (i) the purchase or sale of securities by the issuer or an affiliate of the issuer exclusively from or to holders of equity securities of the issuer; or
- (ii) any recommendation, position, or other communication with respect to the sale of securities of the issuer that—

(I) is made by or on behalf of the issuer or an affiliate of the issuer to holders of equity securities of the issuer; and

(II) concerns decisions of those equity holders with respect to voting their securities, acting in response to a tender or exchange offer, or exercising dissenters' or appraisal rights.

**(2) State actions**

**(A) In general**

Notwithstanding any other provision of this section, nothing in this section may be construed to preclude a State or political subdivision thereof or a State pension plan from bringing an action involving a covered security on its own behalf, or as a member of a class comprised solely of other States, political subdivisions, or State pension plans that are named plaintiffs, and that have authorized participation, in such action.

**(B) "State pension plan" defined**

For purposes of this paragraph, the term "State pension plan" means a pension plan established and maintained for its employees by the government of the State or political subdivision thereof, or by any agency or instrumentality thereof.

**(3) Actions under contractual agreements between issuers and indenture trustees**

Notwithstanding subsection (b) or (c), a covered class action that seeks to enforce a contractual agreement between an issuer and an indenture trustee may be maintained in a State or Federal court by a party to the agreement or a successor to such party.

**(4) Remand of removed actions**

In an action that has been removed from a State court pursuant to subsection (c), if the Federal court determines that the action may be maintained in State court pursuant to this subsection, the Federal court shall remand such action to such State court.

**(e) Preservation of State jurisdiction**

The securities commission (or any agency or office performing like functions) of any State shall retain jurisdiction under the laws of such State to investigate and bring enforcement actions.

**(f) Definitions**

For purposes of this section, the following definitions shall apply:

**(1) Affiliate of the issuer**

The term "affiliate of the issuer" means a person that directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with, the issuer.

**(2) Covered class action**

**(A) In general**

The term "covered class action" means—

(i) any single lawsuit in which—

(I) damages are sought on behalf of more than 50 persons or prospective class members, and questions of law or fact common to those persons or members of the prospective class, without reference to issues of individualized reliance on an alleged misstatement or omission, predominate over any questions affecting only individual persons or members; or

(II) one or more named parties seek to recover damages on a representative basis on behalf of themselves and other unnamed parties similarly situated, and questions of law or fact common to those persons or members of the prospective class predominate over any questions affecting only individual persons or members; or

(ii) any group of lawsuits filed in or pending in the same court and involving common questions of law or fact, in which—

(I) damages are sought on behalf of more than 50 persons; and

(II) the lawsuits are joined, consolidated, or otherwise proceed as a single action for any purpose.

**(B) Exception for derivative actions**

Notwithstanding subparagraph (A), the term "covered class action" does not include an exclusively derivative action brought by one or more shareholders on behalf of a corporation.

**(C) Counting of certain class members**

For purposes of this paragraph, a corporation, investment company, pension plan, partnership, or other entity, shall be treated as one person or prospective class member, but only if the entity is not established for the purpose of participating in the action.

**(D) Rule of construction**

Nothing in this paragraph shall be construed to affect the discretion of a State court in determining whether actions filed in such court should be joined, consolidated, or otherwise allowed to proceed as a single action.

**(3) Covered security**

The term “covered security” means a security that satisfies the standards for a covered security specified in paragraph (1) or (2) of section 77r(b) of this title at the time during which it is alleged that the misrepresentation, omission, or manipulative or deceptive conduct occurred, except that such term shall not include any debt security that is exempt from registration under this subchapter pursuant to rules issued by the Commission under section 77d(2)<sup>1</sup> of this title.

(May 27, 1933, ch. 38, title I, § 16, 48 Stat. 84; Pub. L. 105-353, title I, § 101(a)(1), Nov. 3, 1998, 112 Stat. 3227.)

## REFERENCES IN TEXT

Section 77d(2) of this title, referred to in subsec. (f)(3), was redesignated section 77d(a)(2) of this title by Pub. L. 112-106, title II, § 201(b)(1), (c)(1), Apr. 5, 2012, 126 Stat. 314.

## AMENDMENTS

1998—Pub. L. 105-353 amended section catchline and text generally. Prior to amendment, text read as follows: “The rights and remedies provided by this subchapter shall be in addition to any and all other rights and remedies that may exist at law or in equity.”

## EFFECTIVE DATE OF 1998 AMENDMENT

Pub. L. 105-353, title I, § 101(c), Nov. 3, 1998, 112 Stat. 3233, provided that: “The amendments made by this section [amending this section and sections 77v, 77z-1, 78u-4, and 78bb of this title] shall not affect or apply to any action commenced before and pending on the date of enactment of this Act [Nov. 3, 1998].”

**§ 77q. Fraudulent interstate transactions****(a) Use of interstate commerce for purpose of fraud or deceit**

It shall be unlawful for any person in the offer or sale of any securities (including security-based swaps) or any security-based swap agreement (as defined in section 78c(a)(78)<sup>1</sup> of this title) by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly—

(1) to employ any device, scheme, or artifice to defraud, or

(2) to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact nec-

essary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(3) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

**(b) Use of interstate commerce for purpose of offering for sale**

It shall be unlawful for any person, by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, to publish, give publicity to, or circulate any notice, circular, advertisement, newspaper, article, letter, investment service, or communication which, though not purporting to offer a security for sale, describes such security for a consideration received or to be received, directly or indirectly, from an issuer, underwriter, or dealer, without fully disclosing the receipt, whether past or prospective, of such consideration and the amount thereof.

**(c) Exemptions of section 77c not applicable to this section**

The exemptions provided in section 77c of this title shall not apply to the provisions of this section.

**(d) Authority with respect to security-based swap agreements**

The authority of the Commission under this section with respect to security-based swap agreements (as defined in section 78c(a)(78) of this title) shall be subject to the restrictions and limitations of section 77b-1(b) of this title.

(May 27, 1933, ch. 38, title I, § 17, 48 Stat. 84; Aug. 10, 1954, ch. 667, title I, § 10, 68 Stat. 686; Pub. L. 106-554, § 1(a)(5) [title III, § 302(b), (c)], Dec. 21, 2000, 114 Stat. 2763, 2763A-452; Pub. L. 111-203, title VII, § 762(c)(2), July 21, 2010, 124 Stat. 1759.)

## REFERENCES IN TEXT

Section 78c(a)(78) of this title, referred to in subsec. (a), was in the original “section 3(a)(78) of the Securities Exchange Act”, and was translated as meaning section 3(a)(78) of act June 6, 1934, ch. 404, to reflect the probable intent of Congress.

## AMENDMENTS

2010—Subsec. (a). Pub. L. 111-203, § 762(c)(2)(A), in introductory provisions, inserted “(including security-based swaps)” after “securities” and substituted “(as defined in section 78c(a)(78) of this title)” for “(as defined in section 206B of the Gramm-Leach-Bliley Act)”.

Subsec. (d). Pub. L. 111-203, § 762(c)(2)(B), substituted “78c(a)(78) of this title” for “206B of the Gramm-Leach-Bliley Act”.

2000—Subsec. (a). Pub. L. 106-554, § 1(a)(5) [title III, § 302(b)], amended subsec. (a) generally. Prior to amendment, subsec. (a) read as follows: “It shall be unlawful for any person in the offer or sale of any securities by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly—

“(1) to employ any device, scheme, or artifice to defraud, or

“(2) to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or

“(3) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.”

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

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