

## SECTION 10(B) AND RULE 10B-5

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**S**ection 10(b) of the Securities and Exchange Act of 1934 states that “it shall be unlawful for any person, directly or indirectly ... (b) To use or employ, in connection with the purchase or sale of any security ... any manipulative or deceptive device or contrivance in contravention of such rules as the [SEC] may proscribe as necessary or appropriate in the public interest or for the protection of investors.”

The SEC’s Rule 10b-5, which was promulgated to flesh out this section, states that:

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) To employ any device, scheme, or artifice to defraud,

(b) To make any untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or

(c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any security.