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# 15 U.S. Code § 80a-12

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## Functions and activities of investment companies

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### **(a) Purchase of securities on margin; joint trading accounts; short sales of securities; exceptions**

It shall be unlawful for any registered investment company, in contravention of such rules and regulations or orders as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors—

- (1) to purchase any security on margin, except such short-term credits as are necessary for the clearance of transactions;
- (2) to participate on a joint or a joint and several basis in any trading account in securities, except in connection with an underwriting in which such registered company is a participant; or
- (3) to effect a short sale of any security, except in connection with an underwriting in which such registered company is a participant.

### **(b) Distribution by investment company of securities of which it is issuer**

It shall be unlawful for any registered open-end company (other than a company complying with the provisions of section 80a-10(d) of this title) to act as a distributor of securities of which it is the issuer, except through an underwriter, 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) Limitations on commitments as underwriter**

It shall be unlawful for any registered diversified company to make any commitment as underwriter, if immediately thereafter the amount of its outstanding underwriting commitments, plus the value of its investments in securities of issuers (other than investment companies) of which it owns more than 10 per centum of the outstanding voting securities, exceeds 25 per centum of the value of its total assets.

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