

Corporate & Financial Weekly Digest

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SEC Schedules Open Meeting to Consider Whistleblower Incentive Rules and "Bad Boy" Disqualification Rules

Co-authored by [James B. Anderson](#)

On May 25, the Securities and Exchange Commission will hold an open meeting to discuss whether to adopt rules and forms to implement the whistleblower provisions added to Section 21F of the Securities Exchange Act of 1934 by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Under rules proposed on November 3, 2010, the SEC will pay an award or awards to one or more whistleblowers who voluntarily provide the SEC with original information that leads to the successful enforcement by the SEC of a federal court or administrative action in which the SEC obtains monetary sanctions totaling more than \$1 million. The proposed rules define certain terms critical to the operation of the whistleblower program, outline the procedures for applying for awards and the SEC's procedures for making decisions on claims, and generally explain the scope of the whistleblower program to the public and to potential whistleblowers. Of interest will be the SEC's response to critics who have argued that the SEC's proposed rules will thwart the effectiveness of corporate compliance programs.

The SEC will also consider whether to propose amendments to Rule 506 of Regulation D, promulgated under the Securities Act of 1933, as necessary to implement Section 926 of the Dodd-Frank Act, which would disqualify securities offerings by companies (and, presumably, individuals associated with companies) subject to "bad boy" orders barring them from financial or securities activities or association with certain regulated entities, who are subject to a final order based on fraud violations within the past 10 years, or who have been convicted of a felony or misdemeanor in connection with the purchase or sale of any security or involving the making of false filings with the SEC.

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Katten Muchin Rosenman LLP
Charlotte Chicago Irving London Los Angeles New York Washington, DC