

SEC Proposes "Bad Actor" Exclusion to Reliance on Rule 506

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On May 25, 2011, the Securities and Exchange Commission ("SEC" or "Commission") announced a proposed rule that would disqualify securities offerings involving certain "felons and other 'bad actors'" from relying on the "safe harbor" from registration under the Securities Act of 1933, as amended (the "Securities Act") created by Rule 506 of Regulation D. The proposed rule seeks to implement Section 926 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires the SEC to enact a rule creating "bad actor" exemptions to Rule 506 that are "substantially similar" to those under Rule 262 of Regulation A.

Attorneys

- Charles A. Gilman
- John J. Schuster

CAHILL GORDON & REINDEL LLP