

ABSTRACT

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*Regulation FD of the Securities & Exchange Commission's Selective Disclosure and Insider Trading Rule:
Finally, Full and Fair Disclosures*

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On August 16, 2000, the Securities and Exchange Commission enacted Regulation FD ("Fair Disclosure") that seeks to promote full and fair disclosure of material nonpublic information by public companies, thus eliminating the long-standing and controversial practice of selective disclosure. This Comment addresses the effects of the new rule on the competing interests of issuing companies and investors in securities markets. These new disclosure requirements were established to protect investor confidence and the integrity of financial markets, as well as the relationship between analysts and issuing companies. A primary concern of the rule is that information otherwise disclosed will be "chilled" for fear of breach of the rule. The SEC has addressed this and other concerns by shielding companies from private liability stemming from violation of the Regulation, thus removing any excuses issuing companies may raise in protest of the requirements.

Part IA begins by outlining the history of disclosure rules and the emergence of selective disclosure as an acceptable practice. Part IB demonstrates how the line between selective disclosure and insider trading has become blurred, and further discusses how selective disclosure had become an inefficient and outdated practice in the modern investment arena. Part II explains the details and applicability of the new rule, and highlights the specific provisions of the law that illustrate a definitive change in future disclosure practices, as well as the impact of the rule on issuers. Part III challenges Regulation FD's effectiveness by explaining why issuing companies and securities market professionals disagree with the new disclosure requirements. The article offers suggestions for companies in fear of compliance, and a public policy rebuttal to securities professionals in disagreement. Next, the Comment explores the benefits of Regulation FD to the investing public. The article concludes that the adoption of Regulation FD is an excellent way for the SEC to uphold the principles of the Exchange Act and promote the fairness and efficiency of financial markets.