

SECURITIES AND EXCHANGE COMMISSION

17 CFR PART 242

[Release No. 34-56206; File No. S7-20-06]

RIN: 3235-AJ75

Short Selling in Connection with a Public Offering

AGENCY: Securities and Exchange Commission

ACTION: Final rule.

SUMMARY: The Securities and Exchange Commission (“Commission”) is adopting amendments to Regulation M to further safeguard the integrity of the capital raising process and protect issuers from manipulative activity that can reduce issuer’s offering proceeds and dilute security holder value. The amendments eliminate the covering element of the former rule.

EFFECTIVE DATE: [Insert date 60 days after publication in the Federal Register].

FOR FURTHER INFORMATION CONTACT: James Brigagliano, Associate Director, Josephine Tao, Assistant Director, Elizabeth Sandoe, Branch Chief, Victoria Crane, Branch Chief, and Joan Collopy, Special Counsel, at (202) 551-5720, Office of Trading Practices and Processing, in the Division of Market Regulation, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-6628.

SUPPLEMENTARY INFORMATION: We are amending Rule 105 of Regulation M [17 CFR 242.105].

I. Background

Pricing integrity is essential to the capital raising process. A fundamental goal of Regulation M, Anti-Manipulation Rules Concerning Securities Offerings, is protecting the independent pricing mechanism of the securities market so that offering prices result from the

