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MAY 25, 2011, 6:21 PM ET

## Reactions To SEC Whistleblower Rules Fall Predictably

Reaction to the Securities and Exchange Commission's [approval of final rules](#) governing its whistleblower program was split along predictable lines: activists loved it, business hated it and law firms were all over the place.

Activists hailed the vote. In a [statement](#), National Whistleblowers Center Executive Director Stephen Kohn called it “a major victory” for investors and informants.

“The SEC refused to buckle under tremendous pressure from Wall Street lobbyists (led by the Chamber of Commerce) who worked overtime trying to undermine historic corporate whistleblower protections contained in the Dodd-Frank Act,” he said.

Business interests, however, disapproved of the decision, sticking to a major talking point they held throughout the rulemaking process: The payout system encourages possible informants to go to the government first, rather than through internal compliance programs that could rectify a problem before it breached laws.

“We urge policymakers to reconsider this regulatory overreach by a divided SEC, which impedes the ethical standards and transparency that American companies have worked diligently to foster,” said John Engler, president of Business Roundtable, a trade group representing many of the largest U.S. companies, [in a statement](#).

Law firms, meanwhile, were all over the map. Steve Fagell, co-chair of the Covington & Burling LLP anti-corruption practice, said in an emailed statement that the SEC is targeting a “middle ground” that stops short of full support of internal compliance programs.

“Time will tell whether the ‘middle ground’ is the best approach. The SEC’s resources are limited, and internal compliance programs provide a critical safety net to ensure that potential misconduct is promptly investigated and remediated,” he said.

Susan Hackett of the Association of Corporate Counsel, a trade group representing corporate attorneys, called the rule a “Pandora’s Box” that, when opened, “is likely to create new and even unanticipated harms rather than promoting better reporting of potential problems,” [in a statement](#).

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