



Financial Services Employment Blog

Springing Into Action, SEC Pays Out \$4.5 Million in Whistleblower Awards, While House Republicans Attempt to Limit the Whistleblower Program

By Cameron Smith and Meredith-Anne Berger

Seyfarth Synopsis: *In the span of two weeks, the Securities and Exchange Commission awarded a whistleblower nearly \$4 million, and another over \$500,000. While these awards are nowhere near the largest that the SEC has made — some have exceeded \$20 million — they demonstrate the SEC’s continued focus on providing financial incentives to whistleblowers.*

On May 2, the Securities and Exchange Commission (“SEC”) released an Order, see [Release No. 80571](#), granting an award of over \$500,000. The SEC’s Order issuing the award noted that “Claimant, a company insider, provided information to the Commission that instigated the Commission’s investigation into well-hidden and hard-to-detect violations of the securities laws.”

On April 25, the SEC published [Release No. 80521](#), disclosing a nearly \$4 million award to a whistleblower whose “detailed and specific information caused staff to open the investigation, and thereafter, Claimant provided extensive useful ongoing assistance, including industry-specific knowledge and expertise, that allowed the Commission to efficiently investigate and bring the underlying action with fewer resources.”

As [we have previously discussed](#), under Section 21F of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank”), the SEC may grant awards to “eligible individuals” who offer information to the SEC that leads to the recovery of monetary sanctions over \$1 million. Whistleblower bounties range from between 10-30% of the sanctions collected. The SEC’s award program acts as an incentive for employees to report suspected violations of the securities laws. We [previously reported](#) on a near record breaking whistleblower award of \$22 million in June 2016, exceeded only by a \$30 million award in September 2014.

On February 28, [the SEC reduced an award](#) to a whistleblower who did not release information to the Commission in a timely fashion. There, the Commission determined that the claimant’s delay in reporting was “unreasonable,” and reduced the award by 20%.

Despite President Trump’s February 3 [Executive Order](#) aimed at deregulating the financial industry, and professed intention to scale back Dodd- Frank, the SEC continues to make and publicize whistleblower awards. However, certain House Republicans are attempting to limit the whistleblower program.

As [previously reported](#), House Republicans circulated a non-public memorandum indicating that the newly re-introduced

Seyfarth Shaw LLP Financial Services Employment Alert | May 8, 2017

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Financial CHOICE Act would amend Dodd-Frank to preclude “co-conspirators” from collecting a whistleblower award. “Co-conspirator” is defined in the Financial CHOICE Act to encompass anyone who “procures, induces, or causes another person to commit the offense,” “aids or abets another person in committing the offense,” or “having a duty to prevent the violation, fails to make an effort the person is required to make.” This change could prohibit some “insiders,” such as the claimant discussed in the May 2 release, from recovering an award if involved in the purported violation.

The Financial CHOICE Act would also prohibit a claimant from profiting where he or she was found to have compounded the violations by failing to act promptly to report or correct the misconduct. The Financial Choice Act was approved by the House Financial Services Committee on May 4, despite uniform Democratic opposition to the law.

We will continue to track the proposed Financial CHOICE Act and other executive and legislative action as it progresses.

If you would like further information, please contact your Seyfarth attorney [Cameron Smith](mailto:casmith@seyfarth.com) at casmith@seyfarth.com or [Meredith-Anne Berger](mailto:mberger@seyfarth.com) at mberger@seyfarth.com.

www.seyfarth.com



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