

SEC Receives 3,000 Whistleblower Tips in First Year

by KENNETH C. OH on NOVEMBER 22, 2012

The Securities and Exchange Commission's new whistleblower program had a banner first year. The agency recently reported that it received over 3,000 tips from whistleblowers from individuals in all 50 states, the District of Columbia, and the U.S. territory of Puerto Rico as well as 49 countries outside of the United States.

According to the agency's 2012 Annual Report on the Dodd-Frank Whistleblower Program, corporate disclosures and financials were the most frequent complaints, accounting for 18.2 percent of all tips. Offering fraud (15.5 percent) and manipulation (15.2 percent) were also common categories.

Although tips came from all over the country, the most originated from California, which logged 435 tips. New York came in second with 246 tips. Overall, the tips resulted in 143 enforcement judgments and orders that potentially qualify as eligible for a whistleblower award because they involved sanctions exceeding the statutory threshold of more than \$1 million.

As we previously discussed on this Business Law Blog, the SEC also approved its first award under the program earlier this year. Under the Dodd-Frank Act, the SEC is now authorized to reward individuals who offer high-quality original information that leads to an SEC enforcement action in which more than \$1 million in sanctions are ordered. Awards can range from 10 percent to 30 percent of the money collected and are dependent upon the quality and relevance of the information provided.

The latest SEC report confirms that the SEC program is off and running. It is also generating a lot of interest from corporate insiders, as tips have reportedly increased significantly since the first award was announced.

With this in mind, New York and New Jersey businesses should double down on internal compliance controls as well as complaint response procedures. As we said before, you don't want to first learn of potential fraud proceedings when the SEC comes knocking on your door.

If you have any questions about the SEC's whistleblower program or other corporate compliance issues, please contact me, Kenneth Oh, or the Scarinci Hollenbeck attorney with whom you work.