

What Successful Whistleblowers Have in Common

SECURITIES AND DERIVATIVE LITIGATION | FINANCIAL SERVICES REGULATORY | WHITE COLLAR CRIME & GOVERNMENT INVESTIGATIONS | SECURITIES TRANSACTIONS AND COMPLIANCE | SECURITIES AND DERIVATIVE LITIGATION | MARCH 25, 2015



Edmund J. Zaharewicz

As required by the Dodd-Frank Act, the SEC makes monetary awards to eligible individuals who voluntarily provide original information that leads to successful SEC enforcement actions resulting in monetary sanctions over \$1 million, and successful related actions. In its 2014 Annual Report to Congress on the Dodd-Frank Whistleblower Program, the SEC recently shed some light on the nature of successful whistleblowers.

One striking takeaway from the report is that **only a very small percentage of whistleblowers ever receive a monetary award**. Since the program's inception in August 2011, the SEC has received 10,193 whistleblower tips, including 3,620 tips during the SEC's 2014 fiscal year. While the number of tips has increased each year, there have been only 14 whistleblower awards, involving 10 or fewer SEC enforcement matters. Nine of the awards came in the 2014 fiscal year.

According to the report, the whistleblowers who received awards:

- identified *specific* individuals involved in *specific* transactions evidencing, or *specific* documents (or the *specific* locations of documents) substantiating, the whistleblower's fraud allegations;
- alleged misconduct that was relatively current or ongoing; and
- provided additional information or assistance to the SEC staff during the course of its investigation.

More than 40 percent of the individuals who received awards were current or former company employees. Of these, more than 80 percent raised their concerns internally before reporting to the SEC. Twenty percent of the award recipients were contractors, consultants (or solicited to act as consultants) for the company committing the fraud. The remaining award recipients obtained their information "because they were investors who had been victims of the fraud, or were professionals working in the same or similar industry, or had a personal relationship with one of the defendants."