

SEC Grants Compliance Officer \$1.4 to \$1.6 Million Whistleblower Award

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On April 22, the **Securities and Exchange Commission** announced that it is awarding a compliance officer between \$1.4 million and \$1.6 million for voluntarily providing the SEC with information that contributed to a successful enforcement action. According to the SEC, the compliance officer reported the misconduct after “responsible management at the entity became aware of potentially impending harm to investors and failed to take steps to prevent it.” Under Section 21F(b)(1) of the Securities Exchange Act of 1934, a whistleblower must provide the SEC with original information, which may be derived through independent knowledge or independent analysis. When the whistleblower is an employee whose principal duties involve compliance or internal audit responsibilities, the information generally will not be considered “original,” absent an exception. The SEC determined that an exception applied here because the compliance officer “had a reasonable basis to believe that disclosure of the information...[was] necessary to prevent the relevant entity from engaging in conduct that [was] likely to cause substantial injury to the financial interest or property of the entity or investors.”

This marks only the second occasion in four years since the SEC’s whistleblower program has been in place that the SEC has made a whistleblower award to an employee with internal audit or compliance responsibilities. The first award was issued to a whistleblower who made an internal report of concerns of wrongdoing, but the company took no action. Since the whistleblower program commenced in 2011, the SEC has awarded 16 whistleblowers more than \$50 million. Whistleblower awards can range from 10 percent to 30 percent of the money collected in a successful SEC enforcement action resulting in sanctions over \$1 million. The SEC did not disclose the whistleblower’s identity, noting that it is legally prohibited from doing so. It also did not disclose information about the enforcement action that was triggered by the whistleblower’s disclosure.

SEC Whistleblower Award Proceeding, File No. 2015-2 (Apr. 22, 2015).

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