

SEC Whistleblower Receives $5 Million in Agency's First Award of 2023

On January 6, the U.S. Securities and Exchange Commission (SEC) issued a $5 million whistleblower award, its first in 2023. The award was issued to an individual who voluntarily provided original information that led to the opening of an investigation.

According to the SEC's award order, the whistleblower's "information was important in that it caused staff to promptly open its investigation." The order further notes that the whistleblower's "allegations are closely aligned with the Commission's charges against the Company" and that the whistleblower "also provided some additional assistance in the course of an in-person meeting and two phone calls."

Qualified SEC whistleblowers, individuals who voluntarily provide original information that leads to a successful enforcement action, are entitled to monetary awards of 10-30% of the sanctions collected in the enforcement action. The SEC Whistleblower Program also protects whistleblowers' confidentiality and does not disclose any identifying information about award recipients.

In the award order, the SEC outlines some negative factors it considered when determining the exact percentage to award the whistleblower. "While we acknowledge that [the whistleblower's] information helped Enforcement staff uncover the fraud more quickly, the significance of [the whistleblower's] information is tempered by the fact that Enforcement staff had already gathered some information and context… prior to [the whistleblower's] information," the award order states.

Furthermore, the SEC determined that the whistleblower "substantially and unreasonably delayed in reporting [their] information by waiting approximately four years to provide information to the Commission and doing so only after [they] received a subpoena from the SEC related to [their] own misconduct."

The SEC Whistleblower Program had a record year in Fiscal Year 2022. According to the program's annual report, "the SEC received a record 12,300 whistleblower tips" and the agency "issued 103 whistleblower awards totaling $229 million."

Source: whistleblowersblog.org

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