

SEC and CFTC Whistleblower Programs Reveal Continued Success Combatting Fraud and Protecting Investors

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The SEC and CFTC whistleblower reward programs recently reported their FY 2022 results to Congress and both programs continue to provide great returns for taxpayers by using whistleblowers to supercharge the agencies' ability to combat fraud and conserve agency resources.

FY 2022 SEC Whistleblower Program Report

The [SEC Whistleblower Program's report for FY 2022](#) reveals that the SEC awarded approximately \$229 million in 103 awards to whistleblowers. And the SEC received 12,300 whistleblower disclosures —the largest number of whistleblower disclosures received by the SEC in a fiscal year. The disclosures span a wide variety of alleged violations. The most common complaint categories reported by whistleblowers were Manipulation (21%), Offering Fraud (17%), Initial Coin Offerings and Cryptocurrencies (14%), and Corporate Disclosures and Financials (13%)

Since the inception of the [SEC whistleblower program](#), the SEC has paid more than \$1.3 billion in awards to whistleblowers for providing information that led to successful enforcement actions. According to the [report](#), “[e]nforcement actions brought using information from meritorious whistleblowers have resulted in orders for more than **\$6.3 billion in total monetary sanctions**, including more than \$4.0 billion in disgorgement of ill-gotten gains and interest, of which more than **\$1.5 billion** has been, or is scheduled to be, **returned to harmed investors.**”

Creola Kelly, Chief of the Office of the Whistleblower summarizes the success of the SEC whistleblower program:

“The significant increase in the number of whistleblower tips and awards since the program's inception shows that the program, with its enhanced confidentiality protections, is effectively incentivizing whistleblowers to make the often difficult decision to come forward with information about potential securities-law violations.”

Similarly, in a [statement commemorating National Whistleblower Day](#), SEC Chair Gary Gensler commended whistleblowers for their critical assistance in strengthening the SEC's ability to carry out its mission:

“Whistleblowers provide a critical public service and duty to our nation. The tips, complaints, and referrals that whistleblowers provide are crucial to the Securities and Exchange Commission as we enforce the rules of the road for our capital markets. Each week, when I see the Commission's enforcement actions, I am reminded how the whistleblower program helps us to be better cops on the beat, execute our mission, and protect investors from misconduct.”

FY 2022 CFTC Whistleblower Program Report

The CFTC Whistleblower Program's [2022 Annual Report on the Whistleblower Program and Customer Education Initiatives](#) reveals that the CFTC granted 10 applications for whistleblower awards, totaling more than \$200 million, to be paid to individuals who voluntarily provided original information that led to successful enforcement actions. Since the inception of the [CFTC whistleblower programs](#), sanctions ordered in whistleblower-related enforcement actions exceeded **\$3 billion** and the CFTC has issued 36 orders granting awards totaling more than **\$330 million**. In other words, each dollar awarded to whistleblowers is the result of significant monetary sanctions and furthers the CFTC's mission of ensuring that the markets it oversees are open, transparent, fair, and competitive.

The CFTC's Whistleblower Office received **1,506 whistleblower disclosures in FY22**, which represents an **increase of more than 50% over FY21**. The disclosures concern a wide range of violations, including record keeping or registration violations, illegal swap dealer business conduct, solicitation, misappropriation, insider trading, and other types of fraud, use of deceptive or manipulative devices in trading, as well as spoofing, and other forms of disruptive trading or market manipulation. A majority of tips received in FY22 involved fraudulent misappropriation and fraudulent solicitation involving crypto/digital assets (e.g., pump-and-dumps, fraudulent representations of opportunities, or refusals to honor withdrawal requests).

Resource Challenges at the SEC and CFTC

The [success of these whistleblower reward programs](#) goes beyond the high return for taxpayers. By incentivizing whistleblowers to take the tremendous risks entailed in reporting fraud, these programs enable the SEC and CFTC to detect and halt fraud schemes before investor losses mount, return funds to harmed investors, and conserve time and resources in investigations and enforcement actions.

Awards are not paid from Congressional appropriations, and instead are financed through monetary sanctions collected in enforcement actions resulting from whistleblower disclosures. So, taxpayers do not even have to end up footing the bill for the whistleblowers.

But these agencies are still confronting significant resource challenges vetting and investigating a

record number of tips and adjudicating applications for whistleblower awards. These resource challenges pose a risk that the SEC or CFTC will not be able to act promptly on a high-quality tip that could stop a large [ponzi scheme](#) or fraud on the market. The massive losses that investors are suffering due to the FTX fiasco and other frauds underscore the importance of incentivizing whistleblowers to come forward to enhance the government's ability to combat fraud promptly and protect investors.

Hopefully, Congress will provide the SEC and CFTC with the resources required to sustain and bolster these extraordinarily effective fraud-fighting tools.

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National Law Review, Volumess XII, Number 348

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