On March 25, the U.S. Securities and Exchange Commission (SEC) issued a whistleblower award of $1.25 million. The whistleblower qualified for the award because they voluntarily provided the agency with original information that led to a successful enforcement action. The SEC lowered the award amount, however,
because the whistleblower unreasonably delayed in reporting the misconduct.

According to the award order, the whistleblower “provided specific and credible information that prompted staff to open an investigation that resulted in the Covered Action, which was based largely on conduct that was the subject of Claimant’s whistleblower submission.” Furthermore, the whistleblower provided the SEC with ongoing assistance throughout the investigation, “including helping Commission staff identify witnesses, understand critical documents and terminology, and focus the investigation on key issues.” The whistleblower’s information and assistance saved the SEC time and resources.

Through the SEC Whistleblower Program, qualified whistleblowers are entitled to awards for 10-30% of the funds collected by the government in the covered enforcement action. Under a SEC rule passed in 2020, there is a presumption of a statutory maximum award of 30% in cases where the award would be less than $5 million and where no negative factors are present.

Despite the award total being less than $5 million, the SEC determined that the presumption did not apply because of the negative factor of an unreasonable delay in reporting. According to the award order, the whistleblower “waited about a year and a half after internally reporting and approximately three years after first having concerns, to submit information to the Commission.”

“Today’s award underscores the SEC’s commitment to rewarding meritorious whistleblowers who provide valuable information that advances the agency’s enforcement efforts,” said Creola Kelly, Chief of the SEC’s Office of the Whistleblower. “This whistleblower provided high-quality information and exemplary cooperation.”

Overall, the SEC has awarded approximately $1.2 billion to 256 whistleblowers since issuing its first award in 2012. In addition to monetary awards, the SEC Whistleblower Program offers confidentiality protections to whistleblowers. Thus, the SEC does not disclose any identifying information about award recipients.

Geoff Schweller also contributed to this article.

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