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SEC Awards Whistleblower \$400,000

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The Securities and Exchange Commission paid more than \$400,000 to a whistleblower who reported company fraud to the agency after unsuccessfully trying to push the company to remedy the issue itself, the [SEC announced on Thursday](#).

Because of the SEC's whistleblower anonymity protections, the agency did not provide specific details on the matter. It acknowledged that the whistleblower first did everything he or she could to try to get the company to address the issue internally, and only came to the SEC after several failed attempts to do so.

"When it became apparent that the company would not address the issue, the whistleblower came to the SEC in a final effort to correct the fraud and prevent investors from being harmed," said Sean McKessy, chief of the SEC's Office of the Whistleblower, in a statement. "This award recognizes the significance of the information that the whistleblower provided us and the balanced efforts made by the whistleblower to protect investors and report the violation internally."

[Compliance Week reports](#) that at first, the SEC dismissed the individual's fraud claim because another unnamed federal agency was already looking into the situation, which made it appear as though the information was not being "voluntarily provided," generally a requirement for SEC whistleblowers. But after the whistleblower appealed the decision and convinced the agency that the intent was to reveal and correct a case of fraud, the SEC waived the voluntary requirement.

Lloyd Chinn, co-chair of the whistleblowing and retaliation practice group at Proskauer Rose, told [The Wall Street Journal](#) that by waiving the voluntary rule in this case, the SEC is telling companies that they must respond to allegations from employees that seem credible.

"Under the SEC's rules this person should have been disqualified and was disqualified originally, but because of the particular circumstances they decided to waive that requirement, which I think shows the aggressive attitude of the Whistleblower's Office, the aggressive posture to make awards," Chinn told The Wall Street Journal.

The Dodd-Frank Act allowed for the establishment of the SEC's Office of the Whistleblower in August 2011. Whistleblower awards can range from 10 to 30 percent of the money collected in a case, and are given in cases that involve over \$1 million in penalties.