

Dodd-Frank's SEC Whistleblower Rules Take Effect

On August 12, 2011, the SEC's Dodd-Frank whistleblower rules became effective, establishing the procedures for whistleblowers reporting violations to the SEC under section 922 of the Dodd-Frank Act to receive a bounty of between 10 and 30 percent of sanctions the SEC collects in successful actions resulting in sanctions of over \$1 million. The SEC's Office of the Whistleblower has updated its [web site](#) to provide links to the new Form TCR (Tips, Complaints, and Referrals Questionnaire) and Frequently Asked Questions. The site includes a video introduction by Sean McKessy, the Chief of the Office of the Whistleblower, explaining the content of the website and encouraging whistleblowers "not to delay in reporting possible securities law violations." The Office of the Whistleblower officially opened its doors on August 12 and seven SEC staff members are supposedly in place to review the claims.

Amid all the fanfare, criticisms of the whistleblower regulations that have now been finalized under Dodd-Frank have continued unabated. "In approving this new whistle-blower rule, the SEC has chosen to put trial lawyer profits ahead of effective compliance and corporate governance," David Hirschmann, president and chief executive of the Chamber's Center for Capital Markets Competitiveness, said at the time. "This rule will make it harder and slower to detect and stop corporate fraud." Similar criticisms have been leveled by a broad cross-section of companies and associations who fear that the new bounty program as interpreted and enforced by the SEC will undermine the culture of compliance and internal reporting that many corporations have built and encouraged.

Companies who have not already done so should (1) review their internal reporting policies to encourage and require internal reporting even for those who may avail themselves of the SEC bounty program; (2) train managers to avoid taking actions against those that blow the whistle that might be considered to be retaliatory (3) educate employees in an effort to instill confidence in the company's internal compliance programs, making clear to employees that retaliation will not be tolerated.

Contact Us

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