

# Client Alert

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## Update on the SEC's Whistleblower Rules Under Dodd-Frank

On July 31, 2014, the Securities and Exchange Commission (the "SEC") [announced](#) a \$400,000 reward issued to a whistleblower who reported securities law violations. The SEC stated that the whistleblower first reported the issue internally at the company. It continued that "[w]hen 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." In June, the SEC [announced](#) an award of \$875,000 to be split evenly between two individuals who provided information that helped the SEC bring an enforcement action. It also bears noting that the Commodity Futures Trading Commission [announced](#) in May its first reward under its whistleblower rules.

The SEC's Office of the Whistleblower and the related whistleblower [rules](#) were implemented in late 2011 pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act. Since then, the SEC has paid rewards to at least eight whistleblowers. The rewards payable to whistleblowers range from 10% to 30% of the money collected by the SEC. Under the rules, the identity of whistleblowers must remain confidential.

Companies should continue to evaluate their reporting programs. Reporting programs should be accessible to employees and encourage internal reporting. The most recent whistleblower award, however, was paid to an employee who did initially report the violation to the company. We also previously [reported](#) that the SEC recently settled its first anti-retaliation enforcement action brought under the new rules. Thus, companies also need to focus on how they respond to whistleblower reports, including conducting appropriate investigations, communicating effectively with the whistleblower about the alleged violation, and ensuring that management is appropriately trained to avoid retaliation claims.

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