

Corporate & Financial Weekly Digest

Posted at 1:45 PM on October 29, 2010 by [Robert L. Kohl](#)

SEC to Propose Whistleblower Incentive Rules

The Dodd-Frank Wall Street Reform and Consumer Protection Act added Section 21F to the Securities Exchange Act of 1934. Section 21F mandates that the Securities and Exchange Commission, pursuant to regulations prescribed by the SEC, pay awards to eligible whistleblowers who voluntarily provide the Commission with “original information” about a violation of federal securities laws that leads to the successful enforcement of a “covered judicial or administrative action.” The Dodd-Frank Act mandated awards range between 10% and 30% of monetary sanctions imposed, where such sanctions exceed \$1 million. The SEC intends to propose whistleblower rules at its open meeting next Wednesday, November 3.

At a recent conference organized by the National Association of Corporate Directors, SEC Chairman Mary Shapiro, responding to concerns voiced that the Dodd-Frank whistleblower program would give employees at public companies very strong incentives to bypass corporate whistleblower programs and report alleged violations directly to the SEC, stated, “It is not our desire in any way, shape, or form to undermine the processes that great public companies have built in to ensure that they handle whistleblowers appropriately. We don’t want to undermine what we view as a critically important component of regulation, and that is the corporate effort to ensure that whistleblowers are heard and their information is acted upon reasonably, and problems are fixed early on.” Whatever rules are proposed by the SEC, they will need to address the balance between preserving corporate whistleblower programs and implementing the Dodd-Frank mandate.

[Read more.](#)

Katten Muchin Rosenman LLP
Charlotte Chicago Irving London Los Angeles New York Washington, DC