

## **All you have to do is whistle, says the SEC**

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BLOW the whistle on financial fraud, earn valuable rewards.

The Securities and Exchange Commission approved rules yesterday that could make it highly lucrative for Wall Street whistleblowers and other corporate insiders to alert the agency to securities violations.

Under the rules, whistleblowers will be entitled to 10-30 per cent of the money they help the SEC collect through enforcement.

The agency was acting at the behest of Congress and President Barack Obama, who mandated the rewards last year in legislation responding to the mortgage meltdown. Companies had lobbied intensely for rules that would impose constraints on whistleblowers.

But most SEC commissioners rejected pleas by business groups that, before going to the SEC, whistleblowers should have to notify the companies they were accusing of wrongdoing and give them a chance to deal with the allegations.

"Today's rules are intended to break the silence of those who see a wrong," said SEC chairman Mary Schapiro. "For an agency with limited resources like the SEC, I believe it is critical to be able to leverage the resources of people who may have first-hand information about potential violations of the law."

The issue is one of the most contentious the SEC has faced in its response to the 2008 financial crisis. The issue is also a bellwether of the agency's direction under Ms Schapiro, an Obama appointee who previously headed a self-regulatory organisation for Wall Street companies.

Whistleblower advocates said they were surprised and relieved by the outcome.

"It was a great day for whistleblowers," said lawyer Stephen Kohn, executive director of the National Whistleblowers Centre. "The SEC refused to buckle under tremendous pressure from Wall Street lobbyists, led by the Chamber of Commerce, who worked overtime trying to undermine historic corporate whistleblower protections."

The US Chamber of Commerce, a chief critic of the proposal, condemned the vote.

"This rule will make it harder and slower to detect and stop corporate fraud," group leaders said.

"Not informing the company of a potential fraud and waiting for the SEC to act is the equivalent of not calling the firefighters down the street to put out a raging fire and instead calling the lawyers from the next town to sue over the fire."

Business groups had argued that the SEC would be overwhelmed with tips, many unfounded or irrelevant to securities enforcement, such as complaints based on personal disputes.

SEC enforcement director Robert Khuzami told commissioners the agency had already seen an increase in high-quality tips with detailed supporting information.

SEC enforcement official Stephen Cohen noted that a whistleblower recently provided a "road map" to a possible fraud that saved the agency six to 12 months of investigative work.

The rewards could deter executives from committing fraud, said lawyer Dean Zerbe, who represents informants. WASHINGTON POST

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