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## MARKETS

# SEC to Pay \$30 Million Whistleblower Award, Its Largest Yet

*Agency Says Award to Be Paid to Informant Living in Foreign Country*

By RACHEL LOUISE ENSIGN

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Blowing the whistle is increasingly worth big bucks.

The Securities and Exchange Commission said Monday that a foreign tipster will collect a record whistleblower award of more than \$30 million, more than twice as much as the highest previous award.

The award came less than a week after Attorney General [Eric Holder](#) gave a New York speech in which he said he wanted to boost payouts to motivate more tipsters under a separate whistleblower initiative. The SEC program has been in place since 2011 but the awards had been relatively modest this year.



The latest award is more than double the SEC's previous high for a payout under the plan. *Reuters*

[Holder Proposes Bigger Whistleblower Awards](#) (Sept. 17)

[Ruling May Limit Protections for Whistleblowers Abroad](#) (Aug. 18)

[Meet the SEC's 6,500 Whistleblowers](#) (July 28)

[The Fraud Behind \\$14 Million Whistleblower Award](#) (Feb. 27)

The SEC didn't identify the tipster, where he or she is from or the case this award was tied to. Andrew Ceresney, director of the SEC's enforcement division, said in a statement that "this whistleblower came to us with information about an ongoing fraud that would have been very difficult to detect."

The \$30 million to \$35 million award could have been even bigger if the tipster had acted faster, according to the heavily redacted SEC order making the award. The agency reduced the award because the tipster delayed reporting the misconduct after first learning of it, according to the order, which also blanks out the length of the delay.

The award to the foreign tipster shows that non-U.S. residents stand to gain big from the agency's bounty program. But an appeals-court ruling last

month shows they also may have more to lose than their U.S. counterparts.

In August, the Second Circuit Court of Appeals upheld a lower-court ruling that Dodd-Frank's antiretaliation protections don't cover a former Siemens China staffer. The appeals-court ruling cited a 2010 U.S. Supreme Court decision that says legislation doesn't apply outside the U.S. unless there is evidence Congress indicated otherwise, and pointed out that the former staffer's case had little connection with the U.S. The SEC said in the fine print of Monday's record whistleblower award that it didn't think that ruling applied to this award.

Siemens AG said an internal investigation showed the former staffer's accusations were meritless and that his departure from the company resulted from legitimate performance reasons.

That ruling raises questions about whether foreign tipsters like the recipient of this record award have the same protections as U.S.-based whistleblowers in the event that they are retaliated against for reporting suspected wrongdoing.

The SEC said four of the 14 whistleblowers that have received awards from the program to date have lived abroad. "Whistleblowers from all over the world should feel similarly incentivized to come forward with credible information about potential violations of the U.S. securities laws," said Sean McKessy, the SEC's whistleblower chief.

Under the program, which was established by the 2010 Dodd-Frank financial law, tipsters can get between 10% and 30% of the amount of penalties collected if their information leads to an SEC enforcement action with sanctions of more than \$1 million. The agency keeps whistleblower identities secret so it typically shares minimal information about the tipster or case when announcing an award.

"I was very concerned that investors were being cheated out of millions of dollars and that the company was misleading them about its actions," the anonymous tipster said in a statement released from Washington law firm Phillips & Cohen LLP, which said it represented the person. "Deception had become an accepted business practice."

In fiscal 2013, the SEC's whistleblower program received tips from people in 55 foreign countries, according to the agency. The most foreign whistleblowers came from United Kingdom, Canada and China, the report said. Tipsters submitting information from abroad made up 12% of the tipsters participating in the program during that period.

Erika Kelton, the attorney representing the tipster, declined to provide any additional information on the tipster's background, but called the story behind the award "really compelling."

While Ms. Kelton declined to provide further details, the law firm's news release specifically thanked the Justice Department's Fraud Section and the Federal Bureau of Investigation.

A record \$14 million whistleblower award paid by the SEC last year was for a tip about an alleged Chicago-based scheme to defraud foreign investors seeking U.S. residency, The Wall Street Journal previously reported. That was at the time by far the biggest award under the SEC's whistleblower program.

—Jean Eaglesham contributed to this article.

**Write to Rachel Louise Ensign at [rachel.ensign@wsj.com](mailto:rachel.ensign@wsj.com)**

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