



2019 ANNUAL REPORT TO CONGRESS

# Whistleblower Program



U.S. SECURITIES AND EXCHANGE COMMISSION

#### DISCLAIMER

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## MESSAGE FROM THE CHIEF OF THE OFFICE OF THE WHISTLEBLOWER

The U.S. Securities and Exchange Commission's (SEC or Commission) whistleblower program continued to have a significant impact on the Commission's enforcement and investor protection efforts in Fiscal Year (FY) 2019. In addition to multiple awards being granted for information impacting retail investors, the program has also reached a momentous milestone. Since the program's inception, the SEC has ordered wrongdoers in enforcement matters brought with information from meritorious whistleblowers to pay over \$2 billion in total monetary sanctions, including more than \$1 billion in disgorgement of ill-gotten gains and interest, of which almost \$500 million has been, or is scheduled to be, returned to harmed investors. We continue to take pride in the whistleblower program's contributions to the protection of markets and investors including, importantly, Main Street investors.

In FY 2019, the Commission received its second largest number of whistleblower tips in a fiscal year and made its third largest award to date—a \$37 million award to a whistleblower who provided significant evidence and assistance that enabled the agency to bring the matter to an efficient and successful resolution. This award followed a \$50 million award to joint claimants in March 2018 and a \$39 million award to a whistleblower in September 2018. While all awards are important to the Commission and to whistleblowers, these larger awards reflect the significance of the information that whistleblowers are providing to the Commission and are testaments to the whistleblower program's success.

### *Whistleblower Awards Made in Fiscal Year 2019*

Since the beginning of the whistleblower program, the Commission has awarded approximately \$387 million to 67 individuals. Despite an unusual year challenged by a lapse in appropriations, in FY 2019, the SEC awarded approximately \$60 million in whistleblower awards to eight individuals whose information and cooperation assisted the Commission in bringing successful enforcement actions.

Information from whistleblowers in FY 2019 helped the Commission bring a variety of enforcement actions, including actions involving wrongdoing against retail investors and difficult-to-detect misconduct occurring abroad. Recipients of whistleblower awards in FY 2019 were diverse, including overseas whistleblowers and insiders who reported internally and took meaningful and timely steps in an effort to have their employer remediate the harm caused by the misconduct. Three award recipients in FY 2019 were located abroad, or reported conduct that was occurring abroad, demonstrating the international reach of the program. Three award recipients reported misconduct that was impacting retail investors, furthering a Commission priority to protect the Main

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Street investor. Seven of the eight award recipients reported their concerns to the company. We hope that the awards made in FY 2019 will continue to incentivize individuals, both in the U.S. and abroad, to report high-quality information regarding potential securities laws violations promptly to the Commission, which in turn, helps the Commission better protect investors and the marketplace.

#### ***Whistleblower Tips Received and Communications in Fiscal Year 2019***

The Commission received over 5,200 whistleblower tips in FY 2019, the second highest number of tips received in a fiscal year and a 74 percent increase since the beginning of the program. As in prior fiscal years, tips received this fiscal year hailed from a variety of geographic origins, both domestic and foreign. The Commission received tips from individuals in 70 countries outside of the United States, as well as from every state in the United States. The tips covered a broad range of allegation types, including nearly 300 tips relating to cryptocurrencies, an emerging area of interest in FY 2019.

The Office of the Whistleblower (the Office or OWB) also staffs a public hotline to answer questions from whistleblowers and the general public concerning the whistleblower program or how to submit information to the Commission. In FY 2019, OWB staff returned over 2,600 calls to the public. Since the hotline was established, the Office has returned nearly 24,000 calls responding to questions about the program.

#### ***Retaliation and Agreements to Impede***

The Office continues to work with the SEC's Division of Enforcement (Enforcement) staff to review fact patterns of potential retaliation and attempts to impede communications with the Commission. Whistleblower protections continue to be a high priority for the Office to ensure that whistleblowers feel comfortable and safe reporting to the SEC without fear of reprisal.

#### ***Whistleblower Rule Amendments***

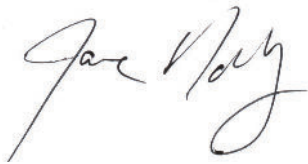
In FY 2019, the Commission continued to consider the public comments received on the Whistleblower Rule amendments proposed in June 2018. In addition to clarifying the requirements for anti-retaliation protections under the whistleblower statute following the Supreme Court's ruling in *Digital Realty Trust, Inc. v. Somers*<sup>1</sup> (*Digital Realty*), the proposed amendments would, among other things, provide tools to increase efficiencies in the claims review process and address other topics that have developed during the program's eight year history. We anticipate new rules being adopted in FY 2020.

<sup>1</sup> 138 S. Ct. 767 (2018).

### Conclusion

The whistleblower program continues to have a significant positive impact on the Commission's enforcement efforts and protection of investors and markets, including assisting the Commission with actions that resulted in the return of hundreds of millions of dollars to harmed investors, many being Main Street investors, as a result of whistleblower tips. We look forward to the continuing growth and success of the program and the anticipated increased efficiencies in claims processing that the rule amendments will provide in the upcoming fiscal years.

We encourage those who believe they have credible information concerning a potential federal securities law violation to expeditiously submit a tip via the Commission's online portal ([www.sec.gov/whistleblower](http://www.sec.gov/whistleblower)). If individuals or their counsel have any questions about the program, including questions about how to submit a tip to the Commission, we encourage them to call OWB's whistleblower hotline at (202) 551-4790.



**JANE NORBERG**

Chief, Office of the Whistleblower  
November 15, 2019

“The whistleblower program continues to have a significant positive impact on the Commission’s enforcement efforts and protection of investors and markets, including assisting the Commission ... in the return of hundreds of millions of dollars to harmed investors, many being Main Street investors, as a result of whistleblower tips.”

## HISTORY AND PURPOSE

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank)<sup>2</sup> amended the Securities Exchange Act of 1934 (Exchange Act)<sup>3</sup> by, among other things, adopting Section 21F,<sup>4</sup> entitled “Securities Whistleblower Incentives and Protection.” Section 21F directs the Commission to make monetary awards to eligible individuals who voluntarily provide original information that leads to successful Commission enforcement actions resulting in monetary sanctions over \$1 million and successful related actions.<sup>5</sup>

Awards must be made in an amount that is 10 percent or more and 30 percent or less of the monetary sanctions collected.<sup>6</sup> To ensure that whistleblower payments would not diminish the amount of recovery for victims of securities law violations, Congress established a separate fund, called the Investor Protection Fund (Fund), from which eligible whistleblowers are paid.

The Commission established OWB, an office within Enforcement, to administer and effectuate the whistleblower program. It is OWB’s mission to administer a vigorous whistleblower program that will help the Commission identify and halt securities frauds early and quickly to minimize investor losses.

In addition to establishing an awards program to encourage the submission of high-quality information, Dodd-Frank and the Commission’s Whistleblower Rules<sup>7</sup> also establish confidentiality protections for whistleblower submissions,<sup>8</sup> including the ability to file a whistleblower tip anonymously with the assistance of an attorney. Employers are prohibited from retaliating against whistleblowers for providing information to the Commission.<sup>9</sup>

Section 924(d) of Dodd-Frank requires OWB to report annually to Congress on OWB’s activities, whistleblower complaints received, and the response of the Commission to such complaints.<sup>10</sup> In addition, Section 21F(g)(5) of the Exchange Act requires the Commission to submit an annual report to Congress that addresses the following subjects:

- The whistleblower award program, including a description of the number of awards granted and the types of cases in which awards were granted during the preceding fiscal year;
- The balance of the Fund at the beginning of the preceding fiscal year;

“Employers are prohibited from retaliating against whistleblowers for providing information to the Commission.”

<sup>2</sup> Pub. L. No. 111-203, § 922(a), 124 Stat. 1841 (2010).

<sup>3</sup> 15 U.S.C. § 78a, *et seq.*

<sup>4</sup> *Id.* § 78u-6.

<sup>5</sup> “Related actions” is defined at 15 U.S.C. § 78u-6(a)(5) and 17 C.F.R. § 240.21F-3.

<sup>6</sup> 15 U.S.C. § 78u-6(b)(1).

<sup>7</sup> 17 C.F.R. §§ 240.21F-1 through 21F-17.

<sup>8</sup> *Id.* § 240.21F-7.

<sup>9</sup> 15 U.S.C. § 78u-6(h)(1). The Commission proposed rule amendments to modify the Whistleblower Rules to comport with the ruling in *Digital Realty* that an employee must report possible securities law violations to the Commission to qualify for protection against retaliation.

<sup>10</sup> 15 U.S.C. § 78u-7(d).



- The amounts deposited into or credited to the Fund during the preceding fiscal year;
- The amount of earnings on investments made under Section 21F(g)(4) during the preceding fiscal year;
- The amount paid from the Fund during the preceding fiscal year to whistleblowers pursuant to Section 21F(b);
- The balance of the Fund at the end of the preceding fiscal year; and
- A complete set of audited financial statements, including a balance sheet, income statement, and cash flow analysis.<sup>11</sup>

OWB, in consultation with other offices within the Commission, has prepared this report, which covers the period October 1, 2018 through September 30, 2019, to satisfy the reporting requirements of Section 924(d) of Dodd-Frank and Section 21F(g)(5) of the Exchange Act. The sections in this report addressing the activities of OWB, the whistleblower tips received during FY 2019, and the processing of whistleblower tips primarily address the requirements of Dodd-Frank's Section 924(d). The sections addressing the Fund and whistleblower incentive awards made during FY 2019 primarily address the requirements of Section 21F(g)(5) of the Exchange Act.

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11 15 U.S.C. § 78u-6 (g)(5).

## ACTIVITIES OF THE OFFICE OF THE WHISTLEBLOWER

Section 924(d) of Dodd-Frank directed the Commission to establish a separate office within the Commission to administer and enforce the provisions of Section 21F of the Exchange Act. Jane Norberg heads the Office as Chief of OWB. There are currently two Assistant Directors and nine attorneys who are dedicated to the work of the Office, which includes, among other things, processing award claims, as well as two attorneys devoted to communications with the public. OWB's work is also furthered by a number of support staff, including an accountant, paralegals, analysts, law clerks, and an administrative assistant. Following is an overview of OWB's primary responsibilities and activities over the past fiscal year.

“The whistleblower program was designed, in part, to provide monetary incentives to individuals with relevant information concerning potential securities violations to report their information to the Commission.”

### *Assessment of Award Applications*

The whistleblower program was designed, in part, to provide monetary incentives to individuals with relevant information concerning potential securities violations to report their information to the Commission. As such, much of OWB's work relates to the assessment of claims for whistleblower awards.

OWB posts a Notice of Covered Action (NoCA) on its webpage<sup>12</sup> for every Commission enforcement action that results in monetary sanctions of over \$1 million. Those individuals who have submitted whistleblower tips pursuant to the program's requirements and whose information significantly advanced the particular investigation that led to the Covered Action may submit an application in response to a posted NoCA.

Although it is ultimately a whistleblower's responsibility to make a timely application for an award, OWB may contact whistleblowers who have been actively working with investigative staff—or who have previously contacted OWB about the posting of a particular Covered Action—to confirm they are aware of the posting and applicable deadline for submitting claims for award.

Based on an initial review, as well as communications with the relevant investigative staff, OWB prioritizes those claims that appear to be award-eligible. At the same time, OWB may process non-meritorious or frivolous claims that are easy to process in an effort to gain efficiencies and conserve resources. For every claim, OWB attorneys assess the application and the eligibility of the claimant and confer with relevant investigative or other Commission staff to understand the contribution of the claimant, if any, to the success of the Covered Action. OWB then makes recommendations to the Claims Review Staff, currently comprised of five senior officers in Enforcement, as to award eligibility. Pages 9-16 of this report provide a fuller explanation of how applications for awards are processed at the Commission, as well as what awards were made during this past fiscal year.

<sup>12</sup> [www.sec.gov/whistleblower/claim-award](http://www.sec.gov/whistleblower/claim-award)

### ***Advancing Anti-Retaliation Protections and Combating Efforts to Impede Reporting***

OWB identifies and monitors whistleblower complaints alleging retaliation by employers or former employers in response to an employee's reporting of possible securities law violations. The Commission may bring an enforcement action against companies or individuals who violate the anti-retaliation provisions of Dodd-Frank. With the Supreme Court's ruling in *Digital Realty*, such enforcement actions can be brought only when a whistleblower reports to the Commission. OWB continues to view anti-retaliation protections as a high priority to ensure that whistleblowers can report to the Commission without fear of reprisal. OWB continues to work with investigative staff to identify cases where companies take reprisals for whistleblowing efforts that may be appropriate for enforcement action.

In addition, OWB monitors reports of the usage of confidentiality, severance, and other kinds of agreements, or engagement in other practices, to interfere with individuals' abilities to report potential wrongdoing to the SEC. Exchange Act Rule 21F-17(a) provides that "[n]o person may take any action to impede an individual from communicating directly with the Commission staff about a possible securities law violation, including enforcing, or threatening to enforce, a confidentiality agreement . . . with respect to such communications."<sup>13</sup> OWB continues to work with investigative staff to identify and investigate practices in the use of confidentiality and other kinds of agreements, or other actions, that may violate Rule 21F-17(a).

### ***Intake of Whistleblower Tips***

The Whistleblower Rules specify that individuals who would like to be part of the whistleblower program must submit their tips via the Commission's online portal or by mailing or faxing their tips on Form TCR to OWB.<sup>14</sup> The Commission's Tips, Complaints, and Referrals Intake and Resolution System (TCR System) serves as a central repository for all tips and complaints received by the Commission, as well as referrals from self-regulatory organizations and other government agencies. In FY 2019, OWB benefited from the updated version of the TCR System that the Commission implemented in FY 2018. OWB encourages all individuals to submit their whistleblower tips and any additional information electronically through the Commission's online portal. There are several advantages to using the online portal, including the fact that individuals receive an immediate acknowledgement of their submission along with a confirmation number. The tip is also automatically populated in a queue for staff who triage tips and complaints. For greater efficiency and quicker review, OWB recommends electronic submission over hard-copy submission.

For more information on the number and types of tips received, please refer to pages 22-25 of this report.

“OWB encourages all individuals to submit their whistleblower tips and any additional information electronically through the Commission's online portal.”

<sup>13</sup> 17 C.F.R. § 240.21F-17(a).

<sup>14</sup> 17 C.F.R. § 240.21F-9(a).

“Since the hotline  
was established,  
OWB has returned  
nearly 24,000 calls  
from the public.”

### ***Communications with Whistleblowers***

OWB serves as the primary liaison between the Commission and individuals who have submitted information or are considering whether to submit information to the agency concerning a possible securities violation. OWB created a whistleblower hotline, in operation since May 2011, to respond to questions from the public about the whistleblower program. Individuals may leave messages on the hotline by calling (202) 551-4790. Calls to the hotline are returned by OWB attorneys generally within 24 business hours.

During FY 2019, the Office returned over 2,600 phone calls from members of the public. Since the hotline was established, OWB has returned nearly 24,000 calls from the public.

Many of the calls OWB receives relate to how the caller should submit a tip to be eligible for an award, how the Commission will maintain the confidentiality of a whistleblower's identity, requests for information on the investigative process or tracking an individual's complaint status, and whether the SEC is the appropriate agency to handle the caller's tip. OWB provides a menu of options with answers to frequently asked questions on the voicemail hotline.

In addition to communicating with the public through the hotline, the Office communicates with whistleblowers who have submitted tips, claims for awards, and other correspondence to OWB.

### ***Public Outreach and Education***

One of OWB's primary goals is to promote public awareness of the Commission's whistleblower program. As part of that outreach effort, the Office aims to promote the program and educate the public about the program through OWB's webpage.<sup>15</sup> The webpage contains information about the program, links to the forms required to submit a tip or claim an award, a listing of enforcement actions for which a claim for award may be made, links to helpful resources, including a section dedicated to retaliation-related issues, and answers to frequently asked questions. In FY 2019, OWB published information on its approach to processing whistleblower award claims on its webpage.<sup>16</sup>

OWB also actively participates in numerous webinars, media interviews, presentations, press releases, and other public communications. In FY 2019, OWB participated in many public engagements aimed at promoting and educating the public about the Commission's whistleblower program. The Office's target audience generally includes potential whistleblowers, whistleblower counsel, and corporate compliance counsel and professionals. OWB's Chief also participates in legal panels and forums with other federal agencies with similar whistleblower programs.

<sup>15</sup> [www.sec.gov/whistleblower](http://www.sec.gov/whistleblower)

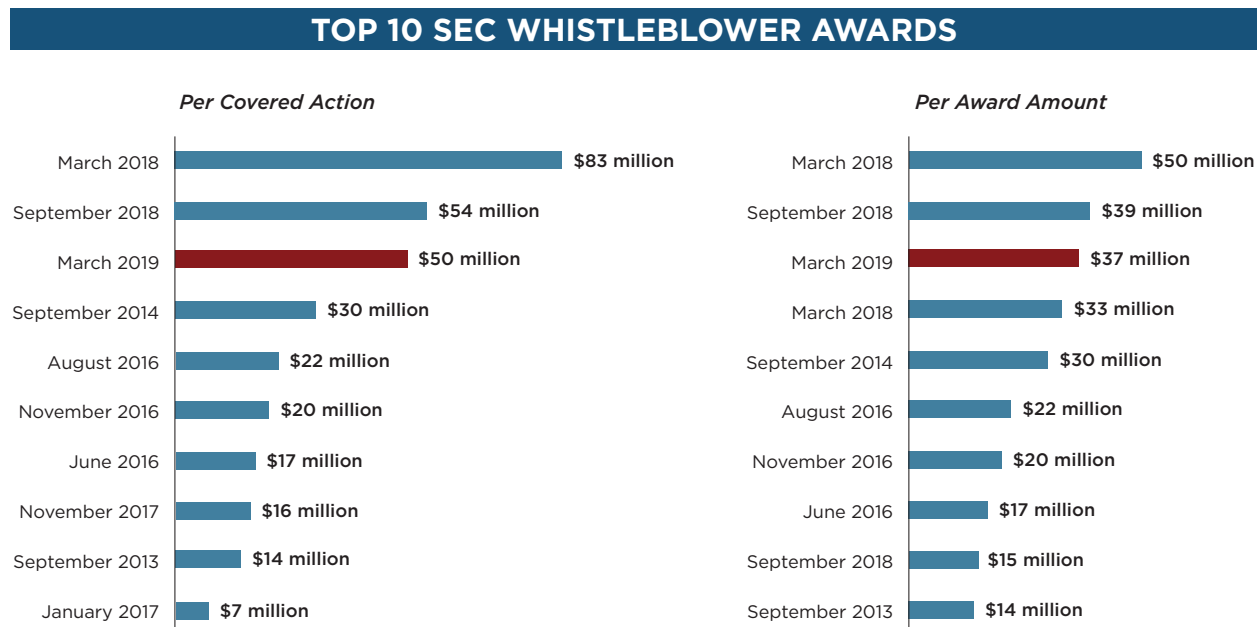
<sup>16</sup> [www.sec.gov/files/OWB%20Approach%20to%20Processing%20Award%20Claims.pdf](http://www.sec.gov/files/OWB%20Approach%20to%20Processing%20Award%20Claims.pdf)

## CLAIMS FOR AWARDS

### Whistleblower Awards Made in Fiscal Year 2019

In FY 2019, the Commission ordered whistleblower awards of approximately \$60 million to eight individuals, each of whom voluntarily provided original information that either led to the opening of an investigation or significantly contributed to a successful enforcement action.

Below are the top ten highest awards made under the SEC's whistleblower program both by Covered Action (*i.e.*, considering all awards made within a single Covered Action) and by award amount from inception of the program through FY 2019. The awards highlighted in red were ordered this past fiscal year.



From program inception to end of Fiscal Year 2019, the SEC awarded approximately \$387 million to 67 individuals.

Below is an overview of the whistleblower awards made by the Commission during the past fiscal year.

#### ***\$50 Million Awarded to Two Whistleblowers***

On March 26, 2019, the Commission announced awards totaling \$50 million to two whistleblowers whose high-quality information assisted the agency in bringing a successful enforcement action. One individual received an award of \$37 million, and the other received an award of \$13 million. The \$37 million award is the Commission's third largest award to date, after the \$50 million award made in March 2018 to joint whistleblowers and the more than \$39 million award in September 2018. Both whistleblowers provided information that prompted Commission staff to open the investigations and thereafter met with Commission staff. The whistleblower who received the \$37 million award met with investigative staff multiple times and provided information and documentation that was of significantly high quality and critically important to the staff's ability to bring the investigations to an efficient and successful resolution.<sup>17</sup>

#### ***\$4.5 Million Awarded to Whistleblower Whose Internal Reporting Led to Successful SEC Case and Related Action***

On May 24, 2019, the Commission announced an award of more than \$4.5 million to a whistleblower whose tip triggered the company to review the allegations as part of an internal investigation and subsequently report the whistleblower's allegations to the SEC and another agency. As a result of the self-report by the company, the SEC opened its own investigation into the alleged misconduct. This was the first time a whistleblower was awarded under the provision of the Whistleblower Rules that was designed to incentivize internal reporting by whistleblowers who also report the same information to the Commission within 120 days. Although Commission staff never communicated with the whistleblower or the whistleblower's counsel, the whistleblower was credited for the company's internal investigation because the allegations were reported to the Commission within 120 days of the report to the company. The Commission found that the Claimant also contributed to the success of the related action and awarded the claimant the same percentage for both actions.<sup>18</sup>

#### ***\$3 Million Awarded to Joint Whistleblowers***

On June 3, 2019, the Commission announced an award of \$3 million to joint whistleblowers whose tip launched the SEC's investigation and subsequent successful enforcement action involving an alleged securities law violation that impacted retail customers. In reaching the award determination, the Commission positively assessed the significant and timely steps the claimants undertook in an effort to have the firm remediate the harm caused by the alleged violations, including advocating for full disclosure of the violation and for compensation of harmed investors. In addition to

<sup>17</sup> See Order Determining Whistleblower Award Claims, Exchange Act Rel. No. 85412, File No. 2019-4 (March 26, 2019); SEC Press Rel. No. 2019-42, "SEC Awards \$50 Million to Two Whistleblowers."

<sup>18</sup> See Order Determining Whistleblower Award Claims, Exchange Act Rel. No. 85936, File No. 2019-6 (May 24, 2019); SEC Press Rel. No. 2019-76, "SEC Awards \$4.5 Million to Whistleblower Whose Internal Reporting Led to Successful SEC Case and Related Action."

participating in the firm's internal compliance system promptly after learning of the misconduct, claimants assisted the staff by meeting with them in person and identifying potential witnesses and also experienced hardships by raising concerns about the violation.<sup>19</sup>

### ***More Than \$1.8 Million Awarded to Whistleblower***

On August 29, 2019, the Commission announced an award of more than \$1.8 million to a whistleblower who provided critical information and assistance to Commission staff. After alerting the Commission to the misconduct, which occurred overseas, the whistleblower provided extensive and ongoing cooperation during the course of the investigation, including identifying witnesses, assisting with testimony preparation, and encouraging witnesses to cooperate with Enforcement staff. The whistleblower in this matter also internally reported the conduct on multiple occasions. The whistleblower's information and assistance resulted in a programmatically significant enforcement action.<sup>20</sup>

### ***SEC Awards Half-Million Dollars to Overseas Whistleblower***

On July 23, 2019, the Commission announced a \$500,000 award to an overseas whistleblower whose expeditious reporting helped the Commission bring a successful enforcement action involving misconduct occurring abroad. The whistleblower's tip was the first information that the Commission received on the charged misconduct.<sup>21</sup>

### ***More Than \$38,000 Awarded to Whistleblower***

On September 20, 2019, the Commission issued a Final Order for an award of more than \$38,000 to a whistleblower whose quick reporting prompted Enforcement staff to open an investigation that resulted in the filing of two successful enforcement actions involving harm to retail investors. The whistleblower provided investigative testimony and encouraged others to cooperate with Commission staff.<sup>22</sup>

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19 See Order Determining Whistleblower Award Claims, Exchange Act Rel. No. 86010, File No. 2019-7 (June 3, 2019); SEC Press Rel. No. 2019-81, "SEC Awards \$3 Million to Joint Whistleblowers."

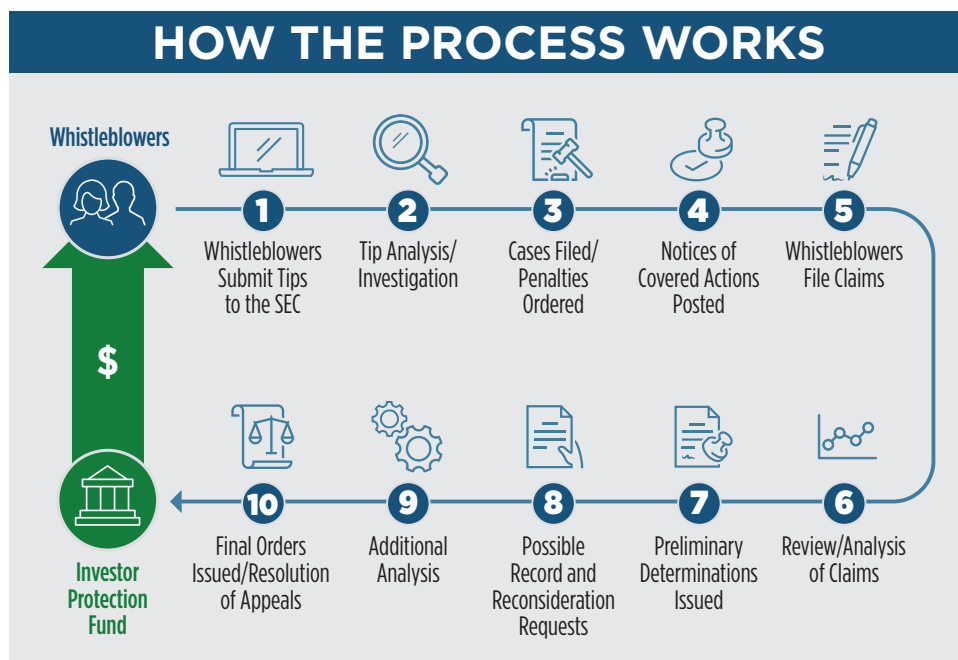
20 See Order Determining Whistleblower Award Claim, Exchange Act. Rel. No. 86803, File No. 2019-9 (Aug. 29, 2019); SEC Press Rel. No. 2019-165, "SEC Awards More Than \$1.8 Million to Whistleblower."

21 See Order Determining Whistleblower Award Claims, Exchange Act Rel. No. 86431, File No. 2019-8 (July 23, 2019); SEC Press Rel. No. 2019-138, "SEC Awards Half-Million Dollars to Overseas Whistleblower."

22 See Order Determining Whistleblower Award Claim, Exchange Act. Rel. No. 87039, File No. 2019-11 (Sept. 20, 2019).

### Overview of Award Process

For a whistleblower to receive an award, there are a number of preconditions that must be met. The diagram below provides a snapshot of the overall process, from the filing of the whistleblower tip to payment of the whistleblower award. As reflected, the time between the submission of a whistleblower tip and when an individual may receive payment of an award can be several years, particularly where the underlying investigation is especially complex, litigation is lengthy, there are multiple, competing award claims, or there are claims for related actions. OWB undertakes appropriate due diligence to ensure a careful and thorough evaluation of all award claims.



The discussion below focuses on the award claims process, from the posting of the NoCA (Step #4 above) to the issuance of a Final Order by the Commission (Step #10 above).

### NoCA Posted

OWB posts on its webpage a NoCA for each Commission enforcement action where a final judgment or order, by itself or together with other judgments or orders in the same action results in monetary sanctions exceeding \$1 million.<sup>23</sup> During FY 2019, OWB posted 151 NoCAs.

OWB sends email alerts to GovDelivery<sup>24</sup> when the NoCA listing is updated. Whistleblowers and other members of the public may sign up to receive an update via email every time the list of NoCAs on OWB's webpage is updated. OWB posts new NoCAs on its webpage on the last business day of each month.

<sup>23</sup> By posting a NoCA for a particular case, the Commission is not making a determination either that a whistleblower tip, complaint, or referral led to the Commission opening an investigation or filing an action with respect to the case or that an award to a whistleblower will be paid in connection with the case.

<sup>24</sup> GovDelivery is a vendor that provides communications for public-sector clients.



### ***Whistleblowers File Claims***

Once a NoCA is posted, claimants have 90 calendar days to apply for an award by submitting a completed award application on Form WB-APP to OWB.<sup>25</sup> Only claimants who have a clear nexus between the information they provided to the Commission and the charges in the underlying action should apply for an award in any given matter. In making that determination, claimants are encouraged to (i) consider whether they had any communications with the relevant Enforcement staff who brought the action and (ii) review the relevant charging documents and consider the proximity between the Commission's specific charges and the claimant's tip. The proposed amendments to the Whistleblower Rules include tools intended to deter frivolous claims, which drain resources and slow down the review process for meritorious claims. Frivolous claims can substantially complicate and delay the award process.

While OWB may contact whistleblowers who have worked with investigative staff to inform them of the application deadline, it is the responsibility of the claimant to make a timely application for award. The Commission has denied late-filed award claims. The Court of Appeals for the Second Circuit upheld the Commission's denial of two claimants whose award applications were submitted approximately two years after the required deadline.<sup>26</sup> As such, OWB encourages whistleblowers and their counsel to regularly review the monthly NoCA postings or to sign up to receive emails to alert them as to when new NoCAs are posted.

### ***Review and Analysis of Award Claims***

Based on an initial review of the award application and in consultation with investigative staff, OWB makes a preliminary assessment of the whistleblower claim. In keeping with OWB's goal of processing meritorious claims, claims that appear to be eligible for an award are prioritized for processing. At the same time, OWB may process non-meritorious or frivolous claims that are easy to process in an effort to gain efficiencies and conserve resources.

OWB attorneys evaluate each application for a whistleblower award. In addition to analyzing the information provided by the claimant on the Form WB-APP, OWB attorneys may look at prior correspondence between the claimant and the Commission and may consult intra-agency databases to understand the origin of the case and what tips or other correspondence the claimant may have submitted to the Commission. In addition, OWB attorneys may work closely with investigative staff responsible for the relevant action, and/or other Commission staff who may have interacted with the claimant or have other relevant knowledge, to understand the contribution or involvement the claimant may have had in the matter.

Utilizing the information and materials provided by the claimant in support of the application, as well as other relevant materials reviewed, OWB attorneys prepare a recommendation to the Claims Review Staff as to whether the claimant meets the criteria for receiving an award, and if so, the recommended amount of the award.

<sup>25</sup> 17 C.F.R. §§ 240.21F-10(a), (b).

<sup>26</sup> See Order Determining Whistleblower Award Claim, Exchange Act Release No. 77368 (Mar. 14, 2016), *pet. for rev. denied sub nom. Cerny v. SEC*, 707 F. App'x 29 (2d Cir. 2017), *cert. denied*, 138 S. Ct. 2005 (2018); see also *LaViola v. SEC*, No. 19-1079, 2019 WL 3229356 (D.C. Cir. July 16, 2019) (unpublished).

Depending on the complexity of the award claim, the number of claimants who applied, and whether OWB is awaiting input from others, including from other agencies in connection with related action claims, this due diligence process may take a significant amount of time.

Generally, most non-frivolous award claim recommendations also go through a multi-tiered, robust review process, including review and comment by Enforcement’s Office of Chief Counsel and the Commission’s Office of the General Counsel.

#### ***Preliminary Determinations Issued***

The Claims Review Staff, designated by the Co-Directors of Enforcement, considers OWB’s recommendation on the award application in accordance with the criteria set forth in Dodd-Frank and the Whistleblower Rules. The Claims Review Staff currently is composed of five senior officers in Enforcement, including the Co-Directors of Enforcement. The Claims Review Staff then issues a Preliminary Determination setting forth its assessment of whether the claim should be approved or denied and, if approved, setting forth the proposed award amount.<sup>27</sup>

The Whistleblower Rules outline a number of positive and negative factors that the Commission and Claims Review Staff may consider in assessing an individual’s award amount.<sup>28</sup> Award amounts are based on the particular facts and circumstances of each case.

Factors that may increase an award amount include the significance of the information provided by the whistleblower, the level of assistance provided by the whistleblower, the law enforcement interests at stake, and whether the whistleblower reported the violation internally through an entity’s internal reporting channels or mechanisms.<sup>29</sup>

Factors that may decrease an award amount include whether the whistleblower was culpable or involved in the underlying misconduct, including whether the whistleblower financially benefited from the misconduct, interfered with internal compliance systems, or unreasonably delayed in reporting the violation to the Commission.

#### ***Possible Record and Reconsideration Requests***

A claimant may submit a written request within 30 calendar days of the date of the Preliminary Determination asking for a copy of the record that formed the basis of the Claims Review Staff’s decision as to the claim for award. As a precondition to receiving a copy of the record, OWB requires claimants and their counsel, if the claimant is represented, to execute a confidentiality agreement limiting the use of such materials to the claims review process.<sup>30</sup> In keeping with our statutory obligation of confidentiality, OWB carefully redacts each record to remove any information that could identify another whistleblower in the matter. A claimant also has 30 calendar days to request a meeting with OWB, which OWB may grant at its discretion.

“Award amounts are based on the particular facts and circumstances of each case.”

<sup>27</sup> 17 C.F.R. § 240.21F-10(d).

<sup>28</sup> *Id.* § 240.21F-6.

<sup>29</sup> *But see* the discussion of the *Digital Realty* decision on page 21 of this report.

<sup>30</sup> *Id.* § 240.21F-12(b). Rule 21F-12(b) states, “The Office of the Whistleblower may also require you to sign a confidentiality agreement, as set forth in § 240.21F-(8)(b)(4) of this chapter, before providing [Preliminary Determination] materials.”

Claimants may seek reconsideration of the Preliminary Determination by submitting a written response to OWB within 60 calendar days of the later of (i) the date of the Preliminary Determination, or (ii) if the record was requested, the date when OWB made the record available for a claimant's review.<sup>31</sup> If a claim is denied and the claimant does not object within the time period prescribed under the Whistleblower Rules, then the Preliminary Determination of the Claims Review Staff becomes the Final Order of the Commission.

Requests for reconsideration should include new information or argument and not simply restate what was included in the original award claim application. OWB attorneys may spend a considerable amount of time evaluating requests for reconsideration. OWB attorneys analyze claimants' legal arguments and take other steps before recommending a Proposed Final Determination for the Claims Review Staff to submit to the Commission. Because of the amount of time it takes to process reconsideration requests, OWB encourages claimants and their counsel to consider the merits of their reconsideration request in a particular matter and not to ask for reconsideration as a matter of course. OWB welcomes meritorious reconsideration requests.

#### ***Final Order Issued and Resolution of Appeals***

After considering any requests for reconsideration, the Claims Review Staff makes a Proposed Final Determination, and the matter is submitted to the Commission for its decision.<sup>32</sup>

All Preliminary Determinations of the Claims Review Staff that involve granting an award are submitted to the Commission for consideration as Proposed Final Determinations irrespective of whether the claimant objected to the Preliminary Determination.<sup>33</sup>

Within 30 days of receiving the Proposed Final Determination, any Commissioner may request that the Proposed Final Determination be further reviewed by the Commission. If no Commissioner requests such a review within the 30-day period, then the Proposed Final Determination becomes the Final Order of the Commission. Claimants who are issued a denial have a right to appeal the Commission's Final Order within 30 days of issuance to the United States Court of Appeals for the District of Columbia Circuit, or to the circuit where the claimant resides or has his or her principal place of business.<sup>34</sup>

Final Orders of the Commission are publicly available on the Commission's website and OWB's webpage. The public Final Orders are redacted to protect award claimants' confidentiality.

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<sup>31</sup> 17 C.F.R. § 240.21F-10(e).

<sup>32</sup> *Id.* §§ 240.21F-10(g)-(h).

<sup>33</sup> *Id.* §§ 240.21F-10(f), (h).

<sup>34</sup> *Id.* § 240.21F-10(h). A whistleblower's rights of appeal from a Commission Final Order are set forth in Section 21F(f) of the Exchange Act, 15 U.S.C. § 78u-6(f), and Exchange Act Rule 21F-13(a), 17 C.F.R. § 240.21F-13(a).

There are several factors that may affect the length of time it takes for OWB to review an award claim and for the Commission to issue a Final Order. For example, the number of claimants, both meritorious and non-meritorious, applying for an award in connection with a Covered Action affects the time it takes to process a claim. Similarly, the presence of novel or complex issues, or the need to supplement the record with additional information from the claimant, may also lengthen the time it takes to process a claim. There may be a delay when there is a claim for an award in connection with a related action, requiring OWB to coordinate with or receive assistance from another regulator to understand what contribution the whistleblower may have made in the related action. Additionally, requests for the record and for reconsideration can substantially delay the issuance of a Final Order.

## PROFILES OF AWARD RECIPIENTS

Protecting whistleblower confidentiality is an integral component of the whistleblower program. Dodd-Frank prohibits the Commission and its staff from disclosing any information that reasonably could be expected to reveal the identity of a whistleblower, subject to certain exceptions. Consequently, information that may tend to reveal a whistleblower's identity is redacted from Commission orders granting or denying awards before they are issued publicly. This may include redacting the name of the enforcement action upon which the award is based.

Consistent with our statutory obligation to maintain whistleblower confidentiality but in an effort to provide more transparency, this section provides information about the profiles of past award recipients—from the whistleblower program's inception to the end of FY 2019—while still protecting the identity of any particular individual.

Since program inception, the Commission has issued awards of approximately \$387 million to 67 individuals in connection with 55 Covered Actions, as well as in connection with several related actions. Many of the tips or complaints that were submitted by these successful whistleblowers share similar characteristics. The information provided by each award recipient was specific. For example, the whistleblowers identified particular individuals involved in the misconduct, or provided specific documents that substantiated their allegations or explained where such documents could be located. In some instances, the whistleblowers identified specific financial transactions that evidenced fraud, or provided detailed assessment of the wrongdoing. The misconduct reported by award recipients is often relatively current or ongoing at the time it was reported to the Commission. Additionally, nearly all of the award recipients provided Commission staff with additional assistance and/or information (*e.g.*, answered staff questions or provided testimony) after they submitted their initial tips.

An individual may be eligible to receive an award where his or her information leads to a successful enforcement action—meaning generally that the original information either caused the staff to open an examination or investigation, or the original information significantly contributed to a successful enforcement action where the matter was already under examination or investigation. Of the whistleblowers who have received awards under the program, approximately 68 percent provided original information that caused staff to open an investigation or examination, and approximately 32 percent received awards because their original information significantly contributed to an already-existing investigation or examination. In assessing whether information assisted with an ongoing matter, the Commission considers factors such as whether the information allowed the

“Since program inception, the Commission has issued awards of approximately \$387 million to 67 individuals in connection with 55 Covered Actions, as well as in connection with several related actions.”

“Past whistleblower  
award recipients hail  
from several different  
parts of the United  
States, and fifteen  
recipients were foreign  
nationals or residents  
of foreign countries  
at the time they  
submitted their tips to  
the Commission.”

Commission to bring an action in significantly less time or with fewer resources, and whether it supported additional successful charges, or successful claims against additional individuals or entities.<sup>35</sup> When the Commission has found claimants to be ineligible for awards on non-procedural grounds, it is often because the claimants' information did not result in the opening of an investigation or examination, opening of a new line of inquiry in an existing investigation or examination, nor significantly contributed to an ongoing investigation or examination.

There is no requirement under the Whistleblower Rules that an individual be an employee or company insider to be eligible for an award. However, approximately 69 percent of the award recipients to date were current or former insiders of the entity about which they reported information of wrongdoing to the SEC. Of those recipients, approximately 85 percent raised their concerns internally to their supervisors, compliance personnel, or through internal reporting mechanisms, or understood that their supervisor or relevant compliance personnel knew of the violations, before reporting their information of wrongdoing to the Commission.

Award recipients have also included investors who had been victims of the fraud, professionals working in the same or related industry, or other types of outsiders, such as individuals who had a personal relationship with the wrongdoer or individuals who have a special expertise in the market.

Whistleblowers have helped the Commission bring cases against a variety of individuals and entities, many of which are involved in the financial services industry. Individuals comprised approximately 40 percent of the defendants and respondents in cases resulting in whistleblower awards. Approximately 33 percent of the defendants and respondents in cases in which a whistleblower received an award concerned entities registered with the Commission, including broker-dealers, investment advisers, or other registered market participants. Unregistered entities comprised approximately 26 percent of the defendants and respondents.

In addition, whistleblowers have assisted the Commission in bringing enforcement cases involving an array of securities violations, including offering frauds, such as Ponzi or Ponzi-like schemes, false or misleading statements in a company's offering memoranda or marketing materials, false pricing information, accounting violations, internal controls violations, and Foreign Corrupt Practices Act (FCPA) violations, among other types of misconduct.

Under the Whistleblower Rules, individuals are permitted to jointly submit a tip to the Commission. Eight of the matters for which whistleblower awards were ordered involved two or more whistleblowers jointly submitting information to the Commission.

35 Securities Whistleblower Incentives and Protections, 76 Fed. Reg. 34,300, 34,325 (June 13, 2011).





Individuals who provide information that leads to successful SEC actions resulting in monetary sanctions over \$1 million also may be eligible to receive an award if the same information led to a related action, such as a parallel criminal prosecution. Seven of the award recipients to date have received payments based, in part, on collections made in related criminal or other qualifying related actions.

Past whistleblower award recipients hail from several different parts of the United States, and fifteen recipients were foreign nationals or residents of foreign countries at the time they submitted their tips to the Commission.

## **PRESERVING INDIVIDUALS' RIGHTS TO REPORT TO THE COMMISSION AND SHIELDING EMPLOYEES FROM RETALIATION**

Section 21F(h)(1) of Dodd-Frank expanded protections for whistleblowers and broadened prohibitions against retaliation.<sup>36</sup> Following the passage of Dodd-Frank, the Commission implemented rules that enabled the SEC to take legal action against employers who have retaliated against whistleblowers. To date, the Commission has brought three anti-retaliation enforcement actions.

Exchange Act Rule 21F-17(a) prohibits any person from taking any action to prevent an individual from contacting the SEC directly to report a possible securities law violation. The Rule states that “[n]o person may take any action to impede an individual from communicating directly with the Commission staff about a possible securities law violation, including enforcing, or threatening to enforce, a confidentiality agreement . . . with respect to such communications.”<sup>37</sup> To date, the Commission



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<sup>36</sup> 15 U.S.C. § 78u-6(h)(1).

<sup>37</sup> 17 C.F.R. § 240.21F-17(a).



has brought eleven enforcement actions or administrative proceedings involving violations of Rule 21F-17. One of the most recent actions, *Securities and Exchange Commission v. Kenneth W. Crumbley, Jr. and Sedona Oil & Gas Corp.*, Civil Action No. 3:16-CV-00172 (N.D. Tex.), settled at the end of FY 2018. The action involved the fraudulent offer and sale of oil and gas investments. The Commission alleged that the defendants engaged in the deliberate destruction of evidence in the months leading up to the action and that defendant Crumbley threatened to terminate Sedona employees for speaking with Commission staff or other government authorities. As part of the settlement, the Court ordered that Crumbley be enjoined from future violations of Rule 21F-17.

In February 2018, the Court in *Digital Realty* held that the whistleblower provisions of the Exchange Act require that an employee report a possible securities law violation to the Commission to qualify for protection against employment retaliation under Section 21F. The Court thus invalidated the Commission's rule interpreting Section 21F's anti-retaliation protections to apply in cases where an employee had reported only internally. The proposed rule amendments will modify Rule 21F-2 to comport with the Court's holding by, among other things, establishing a uniform definition of "whistleblower" that would apply to all aspects of Exchange Act Section 21F.

Retaliation protection remains a key tenet of the whistleblower program. OWB continues to support enforcement investigations where retaliation occurred after the whistleblower reported securities violations to the Commission and continues to support the enforcement of the whistleblower protections of Exchange Act Rule 21F-17(a). OWB also continues to work with investigative staff to identify and investigate practices in the use of confidentiality and other kinds of agreements, or engagement in other practices, to interfere with individuals' abilities to report potential wrongdoing to the Commission.

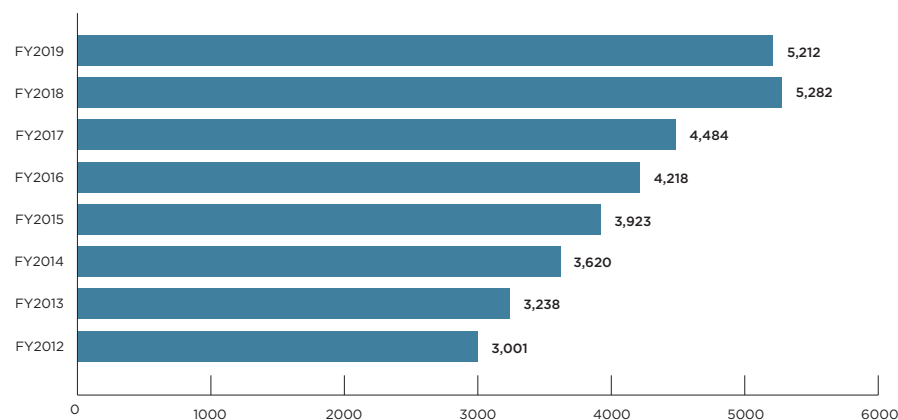
“Retaliation protection remains a key tenet of the whistleblower program.”

## WHISTLEBLOWER TIPS RECEIVED

The Whistleblower Rules specify that individuals who would like to be part of the whistleblower program must submit their tips via the Commission’s online portal or by mailing or faxing their tips on Form TCR to OWB.<sup>38</sup> Whistleblowers who use the online portal to submit a tip receive a computer-generated confirmation of receipt with a TCR submission number. All whistleblower tips referring to potential securities law violations are entered into the TCR System and are evaluated by the Commission’s Office of Market Intelligence (OMI) within Enforcement. The Commission’s TCR System was updated in FY 2018 to include more user-friendly features, including the ability to upload larger attachments. OWB encourages individuals and their counsel to submit tips using the Commission’s online portal, rather than through a hard-copy Form TCR. Due to the increasing volume of mailed and faxed submissions, and the ready availability of electronic submissions, OWB no longer provides acknowledgment letters in response to paper filings. Claimants and their counsel are encouraged to submit their tip via only one method. For example, the same tip should not be entered through the online portal and then mailed in hard-copy to the office. This can create duplication of work for intake staff.

### Number of Whistleblower Tips

In FY 2019, the Commission received more than 5,200 tips—the second largest number of tips received in a fiscal year, just slightly below the number of tips received in FY 2018. Since August 2011, the Commission has received over 33,300 whistleblower tips. The table below shows the number of whistleblower tips received by the Commission on a yearly basis.<sup>39</sup>



From FY 2012, the first year for which we have full-year data,<sup>40</sup> to FY 2019, the number of whistleblower tips received by the Commission has grown by approximately 74 percent.

<sup>38</sup> 17 C.F.R. § 240.21F-9(a).

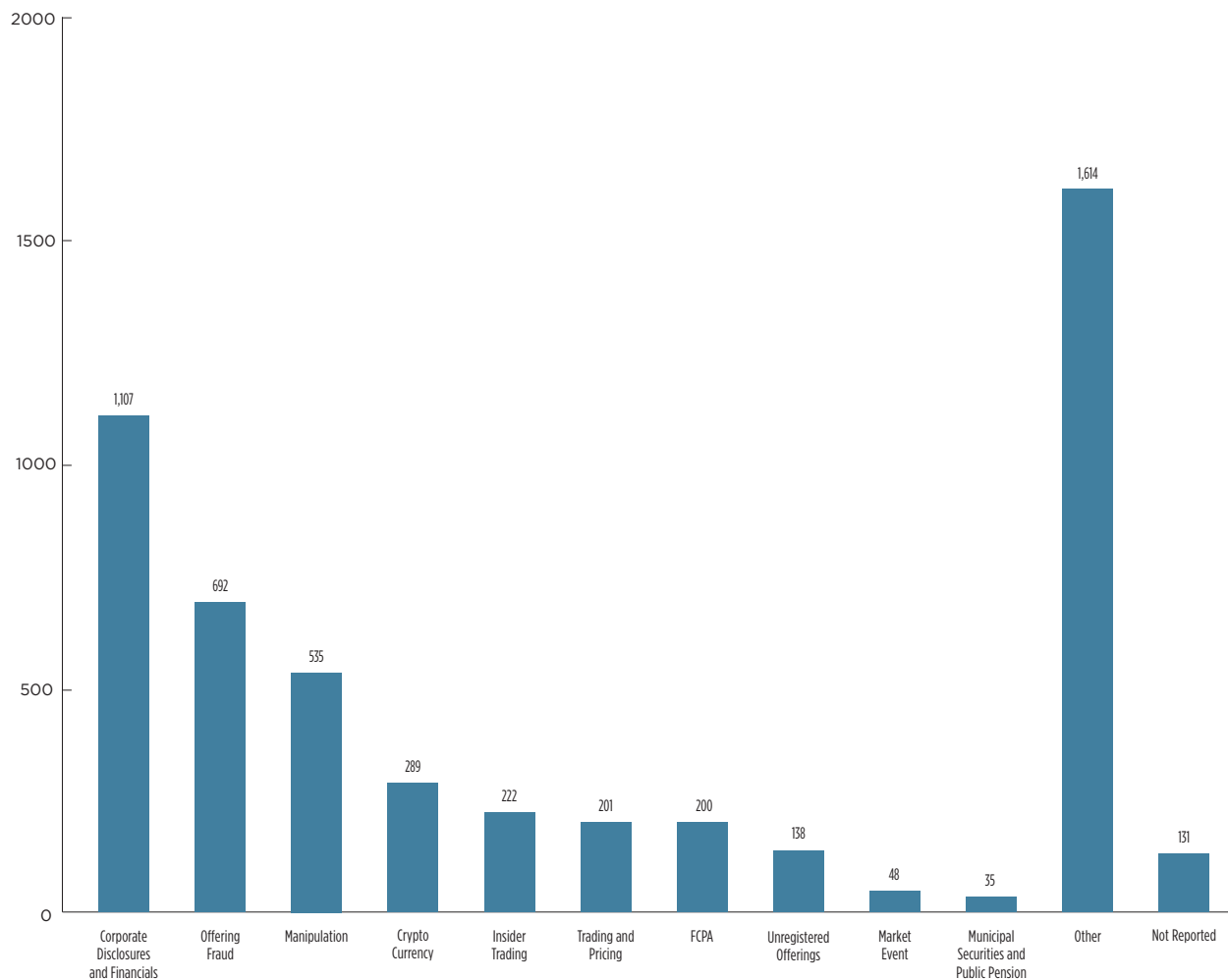
<sup>39</sup> The Commission also receives tips from individuals who do not wish to be part of the whistleblower program. The data in this report is limited to whistleblower tips and does not reflect all tips or complaints received by the Commission during the fiscal year.

<sup>40</sup> Because the Whistleblower Rules became effective on August 12, 2011, only seven weeks of whistleblower data is available for FY 2011.

### Whistleblower Allegation Type

Whether submitting tips on Form TCR or through the online portal, whistleblowers should identify the nature of their complaint allegations. In FY 2019, the most common complaint categories reported by whistleblowers were Corporate Disclosures and Financials (21 percent), Offering Fraud (13 percent), and Manipulation (10 percent).<sup>41</sup>

The following graph reflects the number of whistleblower tips received in FY 2019 by allegation type.<sup>42</sup>



<sup>41</sup> This breakdown reflects the categories selected by whistleblowers and, thus, the data represents the whistleblower's own characterization of the violation type.

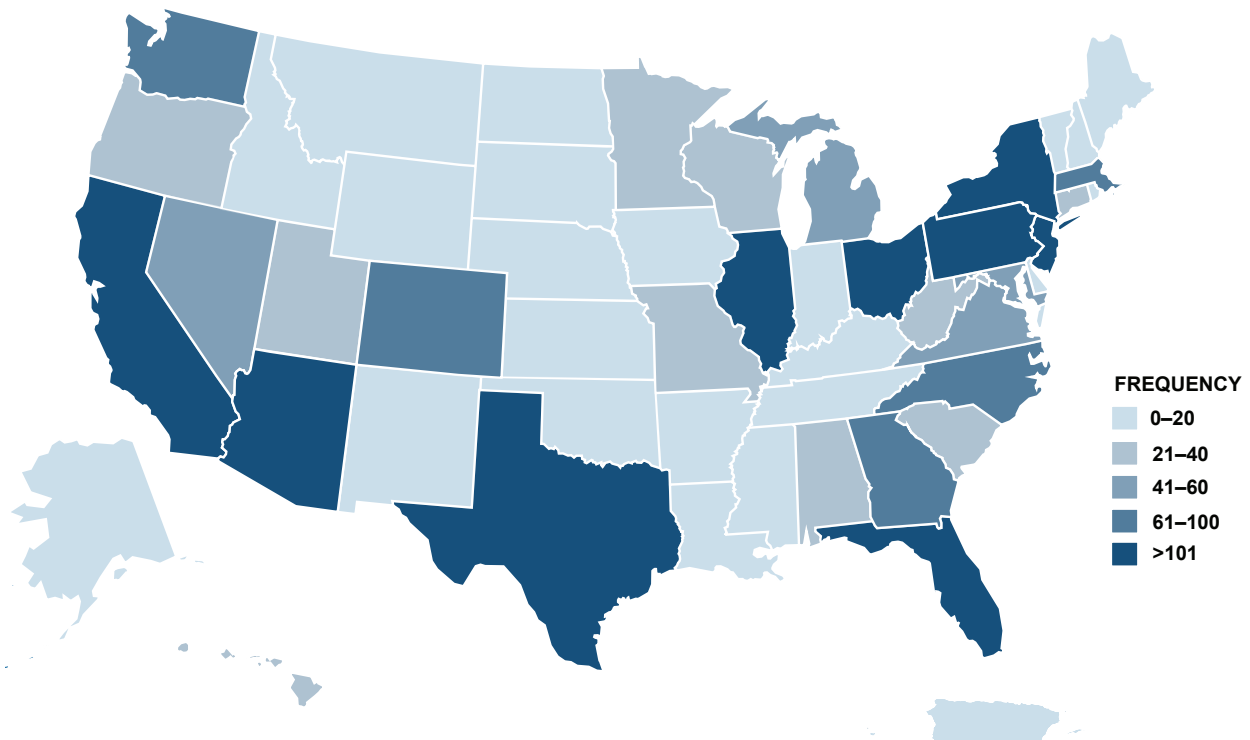
<sup>42</sup> The category of "Other" indicates that the submitter identified the whistleblower TCR as not fitting into any allegation category that is listed on the questionnaire.

The types of securities violations reported by whistleblowers have remained generally consistent over the last eight years. Since the beginning of the program, Corporate Disclosures and Financials, Offering Fraud, and Manipulation have consistently ranked as the three highest allegation types reported by whistleblowers. Crypto Currency was added to the TCR System as an allegation type in the fourth quarter of FY 2018. The Commission received nearly 300 tips (6 percent), the fourth highest allegation type, relating to cryptocurrencies in FY 2019. Appendix A to this report provides a comparison among the number of whistleblower tips by allegation type that the Commission received during FY 2016 through FY 2019.

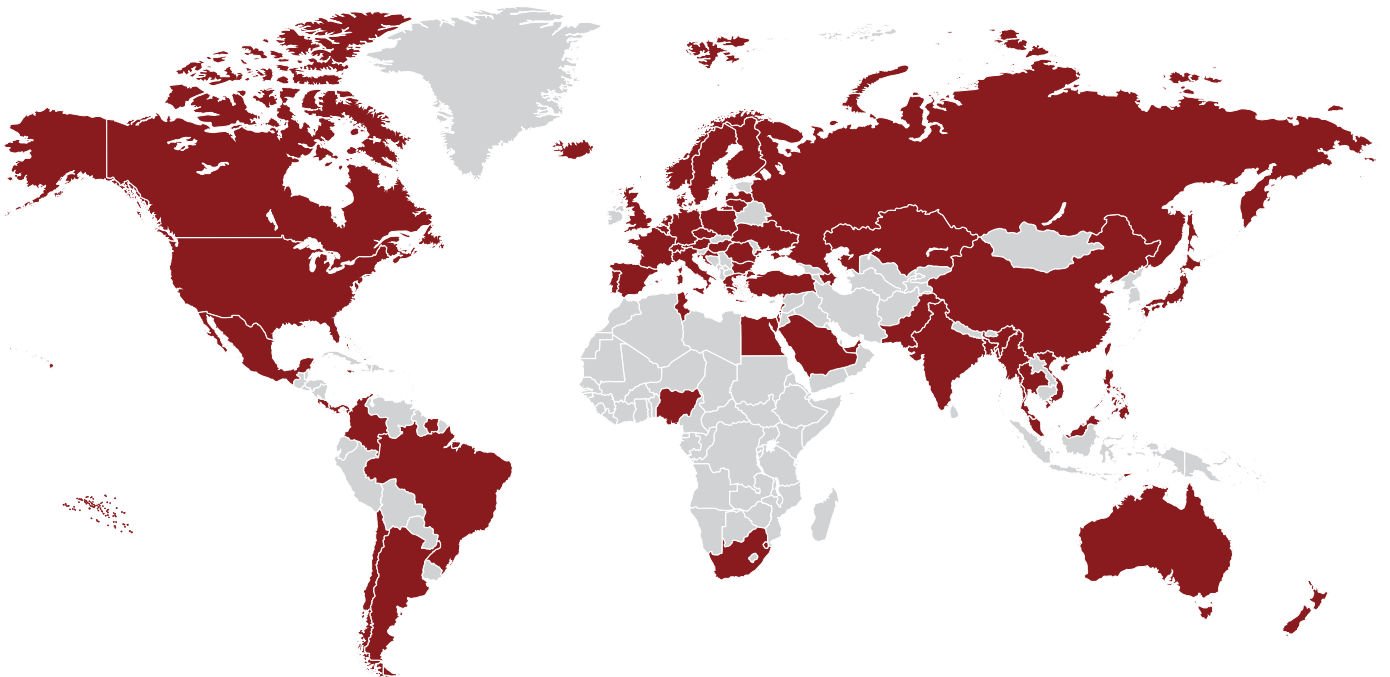
### Geographic Origin of Whistleblower Tips

Through OWB's extensive outreach efforts to publicize and promote the Commission's whistleblower program, the Commission continues to receive whistleblower submissions from individuals throughout the United States, as well as internationally.

During FY 2019, California, Pennsylvania, New York, Texas, and Florida yielded the highest number of whistleblower tips domestically.



Since the beginning of the whistleblower program, the Commission has received whistleblower tips from individuals in 123 countries outside the United States. In FY 2019 alone, the Commission received whistleblower submissions from individuals in 70 foreign countries. After the United States, OWB received the highest number of whistleblower tips this past fiscal year from individuals in Canada, Germany, and the United Kingdom. The map below reflects the countries in which whistleblower tips originated during FY 2019.



Appendices B and C to this report provide detailed information concerning the sources of domestic and foreign whistleblower tips that the Commission received during FY 2019.

## PROCESSING OF WHISTLEBLOWER TIPS

OMI evaluates incoming whistleblower TCRs and assigns specific, credible, and timely TCRs to members of the Commission staff for further analysis or investigation.

### TCR Evaluation

OMI reviews every TCR submitted by a whistleblower to the Commission that references a possible securities law violation. OMI examines each tip to identify those with high-quality information that warrant the additional allocation of Commission resources. Generally, when the evaluation of a tip could benefit from the specific expertise of another Division or Office within the SEC, the tip is forwarded to staff in that Division or Office for further analysis. When OMI determines that a tip should be considered for investigation, OMI assigns the tip to one of the Commission's eleven regional offices, a specialty unit, or to an Enforcement group in the Home Office. Tips that relate to an existing investigation are forwarded to the staff working on the matter.

The Commission may use information from whistleblower tips in several different ways. For example, the Commission may initiate an enforcement investigation based on the whistleblower's tip. Even if the tip does not cause an investigation to be opened, it may still help lead to a successful enforcement action if the whistleblower provides additional information that significantly contributes to an ongoing or already-existing investigation. Tips may also prompt the Commission to commence an examination of a regulated entity, which may lead to an enforcement action.

OWB tracks whistleblower tips that are referred to Enforcement staff for investigation. OWB currently is tracking over 1,000 matters in which a whistleblower's tip has caused a Matter Under Inquiry or investigation to open, or has been forwarded to Enforcement staff for review and consideration in connection with an ongoing investigation. Not all of these matters, however, will result in an enforcement action, or an enforcement action where the required threshold of over \$1 million in monetary sanctions will be ordered. Whistleblower tips may also be used to open an examination or referred to examination staff in connection with a planned or ongoing exam.

In general, whistleblower tips that are specific, credible, and timely, and that are accompanied by corroborating documentary evidence, are more likely to be forwarded to investigative staff for further analysis or investigation. For instance, if the tip identifies individuals involved in the scheme, provides examples of particular fraudulent transactions, or points to non-public materials evidencing the fraud, the tip is more likely to be assigned to Enforcement staff for investigation. Tips that make blanket assertions or general inferences based on market events are less likely to be forwarded to or investigated by Enforcement staff.

In certain instances, OMI or other Enforcement staff may determine it is more appropriate that a whistleblower's tip be investigated by another regulatory or law enforcement agency. When this occurs, the tip is referred to the other agency in accordance with the Exchange Act's whistleblower confidentiality requirements.

Tips that relate to the financial affairs of an individual investor or a discrete investor group usually are forwarded to the Commission's Office of Investor Education and Advocacy (OIEA) for resolution. Comments or questions about agency practice or the federal securities laws also are forwarded to OIEA.

### **Assistance by OWB**

OWB supports the tip allocation and investigative processes in several ways. When whistleblowers submit tips on a Form TCR in hard-copy by mail or fax, the information is entered into the TCR System so it can be evaluated by OMI. Tips submitted by whistleblowers through the Commission's online portal are automatically forwarded to OMI for evaluation.

After submitting an initial tip, a whistleblower is free to, and often does, submit additional information or materials to buttress his or her earlier allegations. Additional information may be submitted through the online portal, with reference to the original TCR submission number (if known), or may be submitted directly to investigative staff if the whistleblower is working with staff on the matter. To the extent additional information is sent to OWB in hard-copy by mail or fax, the additional information is uploaded to the TCR System. Due to the increasing volume of additional information submitted in paper form to OWB, and the ready availability of electronic submissions, OWB no longer provides acknowledgement letters in response to mailed or faxed submissions.

“Whistleblower tips that are specific, credible, and timely, and that are accompanied by corroborating documentary evidence, are more likely to be forwarded to investigative staff for further analysis or investigation.”

## SECURITIES AND EXCHANGE COMMISSION INVESTOR PROTECTION FUND

Section 922 of Dodd-Frank established the Investor Protection Fund to provide funding for the Commission’s whistleblower award program, including the payment of awards in related actions.<sup>43</sup> As required by statute, all payments are made out of this Fund, which is financed entirely through monetary sanctions paid to the SEC by securities law violators. No money has been taken or withheld from harmed investors to pay whistleblower awards. The Fund also is used to finance the operations of the suggestion program of the SEC’s Office of Inspector General.<sup>44</sup> The suggestion program is intended for the receipt of suggestions from SEC employees for improvements in work efficiency, effectiveness, productivity, and the use of resources at the Commission, as well as allegations by SEC employees of waste, abuse, misconduct, or mismanagement within the Commission, and is operated outside of OWB.<sup>45</sup>

Section 21F(g)(5) of the Exchange Act requires certain Fund information to be reported to Congress on an annual basis. Below is a chart containing Fund-related information for FY 2019.

	FY 2019
Balance of Fund at beginning of fiscal year	\$ 299,333,981.82
Reversal of prior year sequestered amount <sup>46</sup>	\$ 12,234,592.57
Amounts deposited into or credited to Fund during fiscal year	\$ 156,519,496.36
Amounts of interest receipts from investments during fiscal year	\$ 6,583,501.46
Current year sequestered amount <sup>46</sup>	\$ (10,112,385.86)
Amounts paid from Fund during fiscal year to whistleblowers	\$ (141,976,223.37)
Reversal of obligations accrued in prior years	\$ 81,426,463.14
Amount disbursed to Office of the Inspector General during fiscal year	\$ (33,497.17)
Balance of Fund at end of fiscal year	\$ 403,975,928.95

<sup>43</sup> Section 21F(g)(2)(A) of the Exchange Act, 15 U.S.C. § 78u-6(g)(2)(A).

<sup>44</sup> Section 21F(g)(2)(B) of the Exchange Act, 15 U.S.C. § 78u-6(g)(2)(B), provides that the Fund shall be available to the Commission for “funding the activities of the Inspector General of the Commission under section 4(i).” The Commission’s Office of General Counsel has interpreted this section to refer to Exchange Act Section 4D, which established the Inspector General’s suggestion program. That section provides that the “activities of the Inspector General under this subsection shall be funded by the Securities and Exchange Commission Investor Protection Fund established under Section 21F.” *Id.* § 78d-4(e).

<sup>45</sup> Section 4D(a) of the Exchange Act, *id.* § 78d-4(a).

<sup>46</sup> Amounts relate to available resources temporarily reduced during the fiscal year as a result of the Budget Control Act of 2011 through the process known as “sequestration.” These amounts become available at the beginning of the following fiscal year.



Whenever the balance of the Fund falls below \$300 million, a statutory replenishment mechanism is triggered. On March 31, 2019, the fund fell below \$300 million.

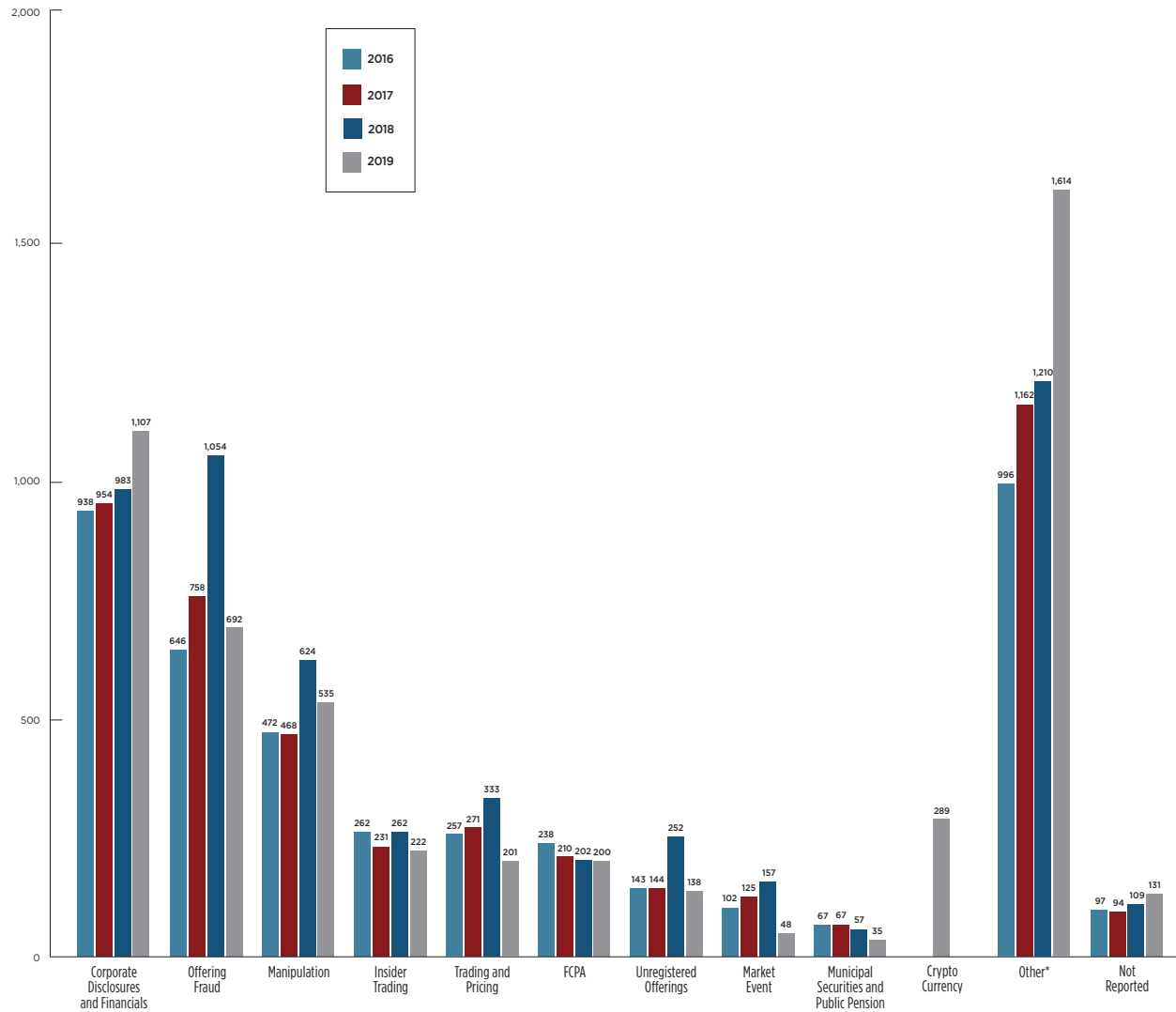
On April 30, 2019, the Fund was replenished in the amount of \$156.5 million from monetary sanctions collected by the Commission between March 31, 2019 and April 11, 2019, which were not to be added to a disgorgement fund or otherwise distributed to victims of a violation of the securities laws. For a complete description of the mechanisms that Congress established to replenish the Fund, *see* Section 21F(g)(3) of the Exchange Act, 15 U.S.C. 78-6(g)(3).

Section 21F(g)(5) of the Exchange Act also requires the Commission to provide a complete set of audited financial statements for the Fund, including a balance sheet, income sheet, income statement, and cash-flow analysis. That information will be included in the Commission's Agency Financial Report, which will be separately submitted to Congress.



## APPENDIX A

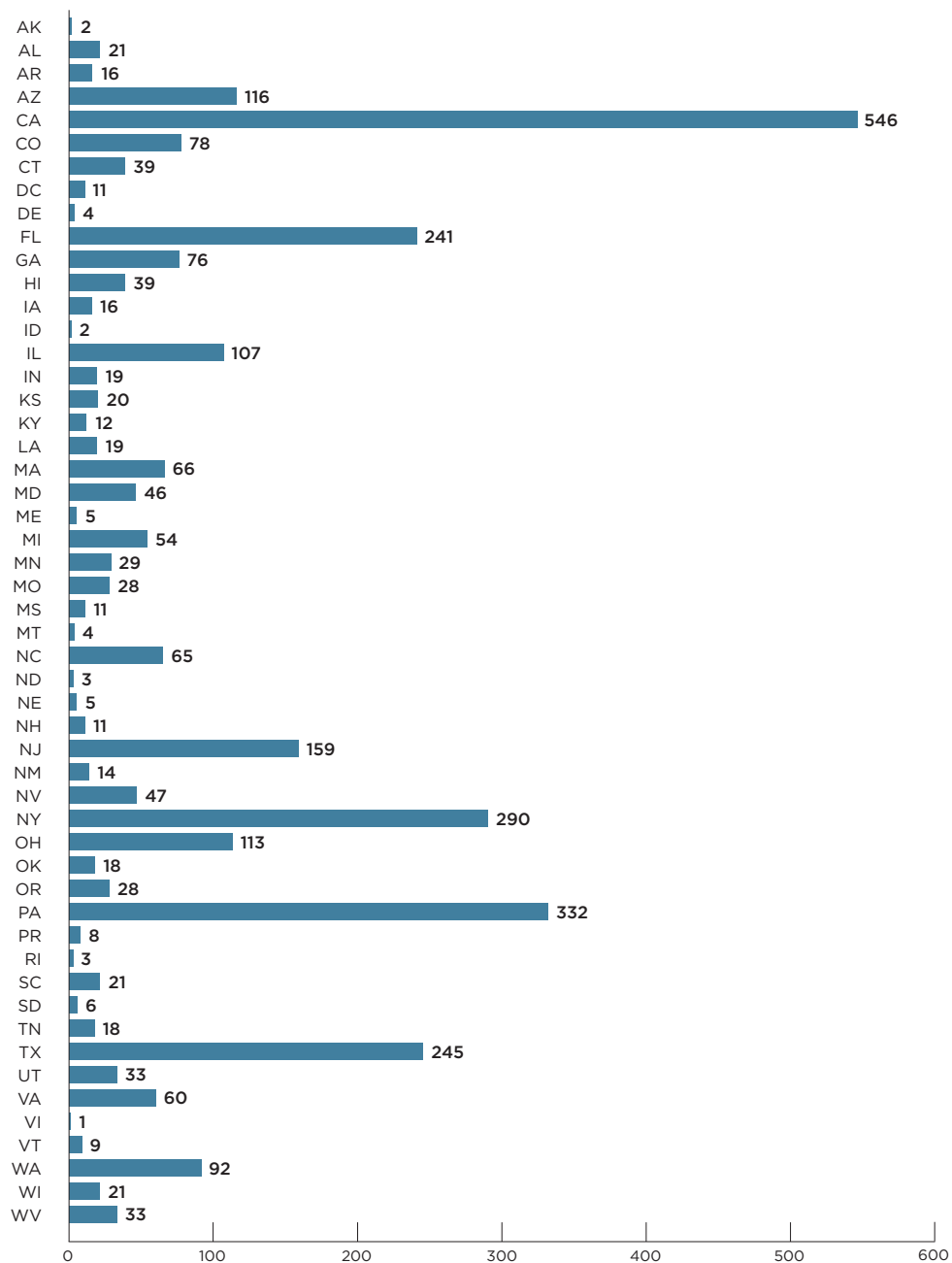
### WHISTLEBLOWER TIPS BY ALLEGATION TYPE COMPARISON OF FISCAL YEARS 2016-2019



\*The category of "Other" indicates that the submitter identified the whistleblower TCR as not fitting into any allegation category that is listed on the questionnaire. The "Crypto Currency" allegation category was introduced during the fourth quarter of FY 2018.

## APPENDIX B

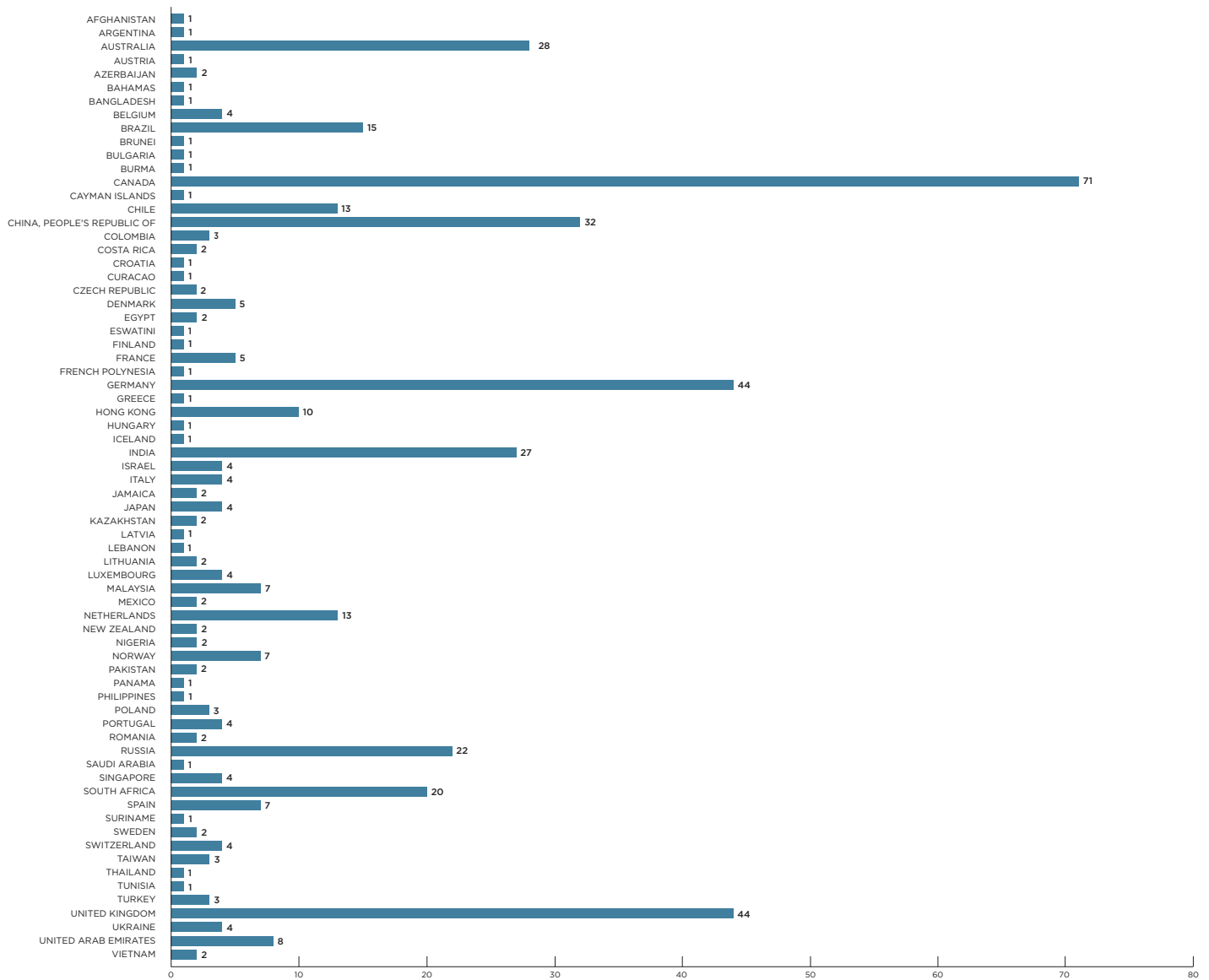
### WHISTLEBLOWER TIPS RECEIVED BY GEOGRAPHIC LOCATION UNITED STATES AND ITS TERRITORIES, FISCAL YEAR 2019\*



\*Approximately 3,262 WB TCRs were submitted in the United States or a U.S. territory during FY 2019, which constitutes approximately 63 percent of the WB TCRs submitted during this period. In addition, approximately 1,471 WB TCRs, constituting approximately 28 percent of the WB TCRs submitted in FY 2019, were submitted with an unknown foreign or domestic geographical categorization or were submitted anonymously through counsel.

## APPENDIX C

### WHISTLEBLOWER TIPS RECEIVED BY GEOGRAPHIC LOCATION INTERNATIONAL, FISCAL YEAR 2019\*



\*The number of WB TCRs submitted from abroad during FY 2019 were approximately 479, constituting approximately 9 percent of the WB TCRs submitted during this period.





OFFICE OF THE WHISTLEBLOWER

*Washington, DC*