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Starting Gun Sounds at SEC Whistleblower Office

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Corporate law departments have had most of the summer to get up to speed on the Securities and Exchange Commission's [new whistleblower rules](#), and now it's game time.

In a Friday post on [The New York Times DealBook blog](#), Ben Protess writes, "The Securities and Exchange Commission's whistle-blower office opened its doors on Friday, much to the delight of plaintiffs' lawyers and the consternation of corporate America."

As mandated by the Dodd-Frank financial overhaul law, the new Office of the Whistleblower is a central clearinghouse for tipsters to report corporate fraud, with whistleblowers poised to share in a portion of any fines collected by the SEC as a result of an employee tip.

The SEC has set up a web page for potential whistleblowers at [sec.gov/whistleblower](#) that lays out the rules and methods for submitting a tip, along with information on applying for and collecting award money.

In [a statement released by the SEC](#), Robert Khuzami, director of the Commission's Division of Enforcement, says, "Early and quick law enforcement action is the key to preventing securities fraud and avoiding investor losses, and the whistleblower program gives us the tools to help achieve that goal."

While regulators and victims of past securities frauds may be enthusiastic about the new program, not everyone was on board with [the new rules announced this past May](#). According to the DealBook post:

"In approving this new whistle-blower rule, the S.E.C. has chosen to put trial lawyer profits ahead of effective compliance and corporate governance," David Hirschmann, president and chief executive of the [United States Chamber of Commerce] Center for Capital Markets Competitiveness, said at the time. "This rule will make it harder and slower to detect and stop corporate fraud." The chamber's concerns centered on the most controversial aspect of the program, which allows whistle-blowers to expose fraud without first sounding the alarms at their company. The program, the chamber argues, will undermine internal compliance departments that corporations were forced to bolster under the Sarbanes-Oxley Act."

But now that the Office of the Whistleblower has moved from the realm of theory into reality, regulators, lawyers, and corporate executives will be able to see how the new system helps or hinders business on Wall Street and beyond. As the office's chief Sean McKessy says in his optimistic introduction to the new agency's site, "Through their knowledge of the circumstances and individuals involved, whistleblowers can help the Commission identify possible fraud and other violations much earlier than might otherwise have been possible. That allows the Commission to minimize the harm to investors, better preserve the integrity

of the United States' capital markets, and more swiftly hold accountable those responsible for unlawful conduct."



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