



2014 ANNUAL REPORT TO CONGRESS ON THE

Dodd-Frank Whistleblower Program



U.S. SECURITIES AND EXCHANGE COMMISSION

D I S C L A I M E R

This is a report of the Staff of the U.S. Securities and Exchange Commission. The Commission has expressed no view regarding the analysis, findings, or conclusions contained herein.

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MESSAGE FROM THE CHIEF OF THE OFFICE OF THE WHISTLEBLOWER

Pursuant to Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), the U.S. Securities and Exchange Commission (“Commission” or “SEC”) created a whistleblower program designed to encourage the submission of high-quality information to aid Division of Enforcement (“Enforcement”) staff in discovering and prosecuting violations of the federal securities laws. There are three integral components of the Commission’s whistleblower program—monetary awards, retaliation protection, and confidentiality protection—each of which is equally important to the continued success of the program. During Fiscal Year 2014, the Office of the Whistleblower (“OWB” or “Office”) administered the Commission’s whistleblower program with an eye to furthering each of these objectives.

Fiscal Year 2014 was historic for the Office in terms of both the number and dollar amount of whistleblower awards. The Commission issued whistleblower awards to more individuals in Fiscal Year 2014 than in all previous years combined. Since the inception of the whistleblower program, the Commission has authorized awards to fourteen whistleblowers. The SEC authorized awards to nine of these whistleblowers in Fiscal Year 2014. Each of these whistleblowers provided original information that led or significantly contributed to a successful enforcement action.

Not only did the number of whistleblower awards rise significantly, but the magnitude of the award payments was record-breaking. On September 22, 2014, the Commission authorized an award of more than \$30 million to a whistleblower who provided key original information that led to a successful enforcement action. The whistleblower in this matter provided information of an ongoing fraud that otherwise would have been very difficult to detect. The award is the largest made by the SEC’s whistleblower program to date and the fourth award to a whistleblower living in a foreign country, demonstrating the program’s international reach. We hope that awards like this one will incentivize company and industry insiders, or others who may have knowledge of possible federal securities law violations, both in the U.S. and abroad, to come forward and report their information promptly to the Commission.

Two other whistleblower awards made this year drive home another important message—that companies not only need to have internal reporting mechanisms in place, but they must act upon credible allegations of potential wrongdoing when voiced by their employees. For example, the Commission’s Final Order of July 31, 2014 reflects that the whistleblower in that matter worked aggressively internally to bring the securities law violations to the attention of appropriate company personnel. The whistleblower brought the information to the SEC only after the company failed to take corrective action. Similarly, on August 29, 2014, the Office announced a whistleblower award to a company employee with audit and compliance responsibilities who reported the securities violation internally and then reported the violation to the SEC after the company failed to take appropriate, timely action in response to the information. Persons with internal audit or compliance-related functions may be eligible under



“The Commission issued whistleblower awards to more individuals in Fiscal Year 2014 than in all previous years combined.”

the program in certain limited circumstances, including where the individual reports the securities law violation internally and then waits 120 days before reporting the information to the Commission.

Fiscal Year 2014 also saw significant additional payments being made to individuals who had received awards in previous years. Because of the Commission's collection efforts, additional amounts were recovered in certain actions which, in turn, increased the amounts paid to whistleblowers in those matters. For example, our very first award recipient has seen the whistleblower award increase from the initial payout of nearly \$50,000 to over \$385,000, more than seven times the original payment amount.

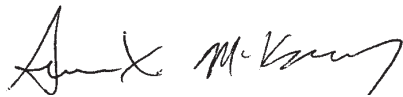
Last year, OWB reported that it was coordinating actively with Enforcement staff to identify matters where retaliatory measures were taken against whistleblowers. On June 16, 2014, the Commission brought its first enforcement action under the anti-retaliation provisions of the Dodd-Frank Act. In that case, the head trader of Paradigm Capital Management reported to the SEC that the company had engaged in prohibited principal transactions. After learning that the head trader reported the potential misconduct to the SEC, the firm engaged in a series of retaliatory actions, including changing the whistleblower's job function, stripping the whistleblower of supervisory responsibilities and otherwise marginalizing the whistleblower. The Commission ordered the firm to pay \$2.2 million to settle the retaliation and other charges. The Commission's action sends a strong message to employers that retaliation against whistleblowers in any form is unacceptable.

The SEC also filed *amicus curiae* briefs in several private cases pending in the federal courts to address the scope of the anti-retaliation employment protections established by the Dodd-Frank Act. The Commission argued that the anti-retaliation protections should not be interpreted narrowly to reach only individuals who make disclosures directly to the Commission. Rather, the employment protections should be understood to protect individuals at publicly-traded companies from employment retaliation who internally report potential securities law violations. The SEC explained that the whistleblower program was designed to encourage employees to report internally instances of potential securities violations and was not meant to replace or undercut corporate compliance programs. But any refusal to provide anti-retaliation protection to individuals who report wrongdoing internally at publicly-traded companies could create the unintended result of causing whistleblowers to forgo internal compliance programs and instead report directly to the SEC.

Confidentiality protection for whistleblowers also is one of the Office's paramount objectives. Confidentiality may be particularly important in cases where the whistleblower currently is employed at the company that is the subject of his or her tip or continues to work in the same or similar industry. During Fiscal Year 2014, the Office worked with other SEC staff to ensure that those who work with whistleblowers or who may review whistleblower information understand their confidentiality obligations under the Dodd-Frank Act and the Commission's implementing regulations.

As a result of the Commission's issuance of significant whistleblower awards, enforcement of the anti-retaliation provisions, and protection of whistleblower confidentiality, the agency has continued to receive an increasing number of whistleblower tips. In Fiscal Year 2014, OWB received 3,620 whistleblower tips, a more than 20% increase in the number of whistleblower tips in just two years. The Office also staffs a public hotline to answer questions from whistleblowers or their counsel concerning the whistleblower program or how to go about submitting information to the agency. In the past fiscal year, we returned over 2,731 calls from members of the public.

Finally, OWB encourages anyone who believes they have information concerning a potential securities law violation, including whether they were retaliated against for reporting the information, to submit the tip via the online portal on OWB's webpage (<http://www.sec.gov/whistleblower>) or by submitting a Form TCR by mail or fax, also located on OWB's webpage. If a whistleblower or his or her counsel has any question about how or whether to submit a tip to the Commission, or any other questions about the program, they should call the whistleblower hotline at (202) 551-4790.



Sean X. McKessey
Chief, Office of the Whistleblower
November 17, 2014

HISTORY AND PURPOSE

The Dodd-Frank Act¹ amended the Securities Exchange Act of 1934 (the “Exchange Act”)² by, among other things, adding Section 21F,³ 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 \$1,000,000, and successful related actions.

Awards are required to be made in an amount equal to 10 to 30% of the monetary sanctions collected. 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”), out of which eligible whistleblowers would be paid.

The Commission established OWB, a separate 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 frauds early and quickly to minimize investor losses.

In addition to establishing an awards program to encourage the submission of high-quality information, the Dodd-Frank Act and the Commission’s implementing regulations (the “Final Rules”)⁴ prohibit retaliation against whistleblowers who report possible wrongdoing based on a reasonable belief that a possible securities violation has occurred, is in progress or is about to occur.⁵

The whistleblower program was designed to complement, rather than replace, existing corporate compliance programs. While it provides incentives for insiders and others with information about unlawful conduct to come forward, it also encourages them to work within their company’s own compliance structure, if appropriate.⁶

Section 924(d) of the Dodd-Frank Act requires OWB to report annually to Congress on OWB’s activities, whistleblower complaints, and the response of the Commission to such complaints. 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 type 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;

¹ Pub. L. No. 111-203, § 922(a), 124 Stat. 1841 (2010).

² 15 U.S.C. § 78a *et seq.*

³ 15 U.S.C. § 78u-6.

⁴ 240 C.F.R. §§ 21F-1 through 21F-17.

⁵ 15 U.S.C. § 78u-6(h)(1); 240 C.F.R. § 21F-2(b).

⁶ *See* 240 C.F.R. §§ 21F-4(b)(7), 21F-6(a)(4), 21F-6(b)(3).

- 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.

This report has been prepared by OWB to satisfy the reporting obligations of Section 924(d) of the Dodd-Frank Act and Section 21F(g)(5) of the Exchange Act. The sections in this report addressing the activities of OWB, the whistleblower tips received during Fiscal Year 2014, and the processing of those whistleblower tips primarily address the requirements of Section 924(d) of the Dodd-Frank Act. The sections in this report addressing the whistleblower incentive awards made during Fiscal Year 2014 and the Fund primarily address the requirements of Section 21F(g)(5) of the Exchange Act.



ACTIVITIES OF THE OFFICE OF THE WHISTLEBLOWER

Section 924(d) of the Dodd-Frank Act directed the Commission to establish a separate office within the Commission to administer and to enforce the provisions of Section 21F of the Exchange Act. Sean X. McKessy is the Chief of the Office and Jane A. Norberg is the Office's Deputy Chief. In addition to Mr. McKessy and Ms. Norberg, OWB currently is staffed by nine attorneys and three paralegals.

Assessment of Award Applications

The whistleblower program was designed, in part, to provide a monetary incentive to corporate insiders and others with relevant information concerning potential securities violations to report their information to the Commission. As such, much of what OWB does relates to the assessment of claims for whistleblower awards.

OWB posts a Notice of Covered Action ("NoCA") on its website for every Commission action that results in monetary sanctions of over \$1,000,000. Anyone who believes that they are entitled to a whistleblower award may submit an application in response to a posted NoCA.

“One of the Office’s primary goals is to increase public awareness about the Commission’s whistleblower program.”

OWB staff tracks investigations where a known whistleblower has provided information or assistance to Enforcement staff. This case-tracking initiative is intended to help OWB know which cases may involve a potential award payout. Although it ultimately is the whistleblower’s responsibility to make a timely application for an award, OWB often contacts whistleblowers who have been actively working with Enforcement staff to confirm they are aware of the posted NoCA and the applicable deadline for submitting a claim for award.

After receiving an application for an award, OWB attorneys assess the application, confer with Enforcement staff to understand in more detail the contribution of the claimant, and then make recommendations to the Claims Review Staff and to the Commission. For a fuller explanation of how applications for awards are processed at the SEC, as well as what awards were made during Fiscal Year 2014, please refer to pages 10-15 of this report.

Public Outreach and Education

One of the Office’s primary goals is to increase public awareness about the Commission’s whistleblower program. By raising awareness of the program, we hope to receive an even greater number of high-quality tips that can assist the Commission in discovering and stopping fraudulent schemes early. As part of that outreach effort, the Office has actively participated in numerous webinars, media interviews, presentations, press releases, and other public communications.

In Fiscal Year 2014, OWB staff participated in over 17 public engagements and conducted several media interviews aimed at promoting and educating the public concerning the Commission’s whistleblower program. The Office’s target audience generally includes potential whistleblowers, whistleblower counsel, corporate compliance counsel and professionals. In an effort to increase the visibility of the

Commission's whistleblower program, the Office has participated on legal panels and in other forums with other federal agencies that have similar whistleblower programs, including the U.S. Commodity Futures Trading Commission and the Internal Revenue Service. Fiscal Year 2014 also saw OWB participate at international venues with whistleblower offices from around the world both to help raise awareness of the program and facilitate our understanding and implementation of best practices.

We also aim to promote and educate the public about our program through OWB's website (www.sec.gov/whistleblower). The website includes videos by Mr. McKessy that provide an overview of the program and information about how tips, complaints and referrals are handled. The website also contains detailed information about the program, copies of the forms required to submit a tip or claim an award, a listing of current and past enforcement actions for which a claim for award may be made, links to helpful resources, and answers to frequently asked questions.

In Fiscal Year 2014, to increase transparency regarding claims for awards that the Commission has reviewed, we created a separate page on the website where all Final Orders issued by the Commission either awarding or denying a claim for an award are posted.⁷ OWB's site also contains a link to the webpage of Enforcement's Financial Reporting and Audit Task Force, the objective of which is to identify and prosecute securities law violations related to financial reporting and audit failures. Information from a corporate insider or gatekeeper can often act as the springboard for the SEC to launch an investigation or provide the final piece of the puzzle in an existing investigation.

Communications with Whistleblowers

The Office 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 that has been in operation since May 2011 to respond to questions from the community about the whistleblower program. Individuals leave messages on the hotline, which are returned by OWB attorneys within 24 business hours. To protect the identity of whistleblowers, OWB will not leave return messages on voicemail boxes unless the caller's name is clearly and fully identified. If we are not able to leave a message because the individual's name is not identified or if it appears to be a shared voicemail box, OWB attorneys make two additional attempts in an effort to contact the individual.

During Fiscal Year 2014, the Office returned over 2,731 phone calls from members of the public. Many of the calls the Office receives relate to how the caller should submit a tip in order to be eligible for an award; concerns about how the Commission will maintain the confidentiality of his or her identity; information on the investigative process or how to track an individual's complaint status; or whether the SEC is the appropriate agency for the caller to submit his or her information.

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

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⁷ See <http://www.sec.gov/about/offices/owb/owb-final-orders.shtml>.

Training and Assistance to Commission Staff

OWB serves as the principal point of contact for all Commission staff on any whistleblower-related question or issue. Therefore, in addition to participating in external communications about the program, we also provide training to Commission staff who may be in a position to interact with a whistleblower or who may receive information from a whistleblower.

During Fiscal Year 2014, we continued to provide training on the whistleblower program for Enforcement staff. Our training program included initiatives to inform the staff concerning the Commission's authority under the Dodd-Frank Act to bring enforcement actions for retaliation against whistleblowers. We also provided whistleblower training to staff in the Commission's Office of Compliance, Inspections, and Examinations ("OCIE"), who may find themselves on the receiving end of whistleblower information during the course of an examination.

OWB also communicates with Commission staff regarding the handling of confidential whistleblower-identifying information. In particular, OWB coordinates with Commission staff in making external referrals to other government agencies and responding to discovery requests consistent with the confidentiality provisions of the Dodd-Frank Act and the Commission's whistleblower rules. OWB also assists Enforcement staff in handling potentially privileged information provided by whistleblowers.

Anti-Retaliation Protection

OWB identifies and monitors whistleblower complaints alleging retaliation by employers or former employers in response to the employee's reporting of possible securities law violations internally or to the Commission. The Commission has authority to enforce all the provisions of the Exchange Act, including the whistleblower anti-retaliation protections under the Dodd-Frank Act. OWB works with Enforcement staff on potential anti-retaliation enforcement actions where appropriate. On June 16, 2014, the Commission brought its first anti-retaliation case, charging a hedge fund with engaging in retaliatory practices after learning that the head trader had reported prohibited principal transactions to the Commission. OWB also monitors federal court cases involving the anti-retaliation provisions of the Dodd-Frank Act and the Sarbanes-Oxley Act of 2002.⁸ For a fuller discussion of the steps the Commission has undertaken with respect to anti-retaliation during Fiscal Year 2014, please see pages 18-19.

In addition, OWB has been working to identify employee confidentiality, severance, and other kinds of agreements that may interfere with an employee's ability to report potential wrongdoing to the SEC. Rule 21F-17(a) under the Exchange Act 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."⁹ The Office is actively working with Enforcement staff to identify

⁸ 18 U.S.C. § 1514A.

⁹ 240 C.F.R. § 21F-17(a).

and investigate practices in the use of confidentiality and other kinds of agreements that may violate this Commission rule. We will continue to focus on agreements that attempt to silence employees from reporting securities violations to the Commission by threatening liability or other kinds of punishment.

TCR Intake

The Commission developed its Tips, Complaints, and Referrals Intake and Resolution System (“TCR System”), an internal database, to serve as a central repository for all tips and complaints, as well as referrals from other government agencies or self-regulatory organizations, that are received by the Commission. Rule 21F-9 under the Exchange Act provides whistleblowers the option of either submitting their tips directly into the TCR System through the Commission’s online portal, or by mailing or faxing a Form TCR to OWB. This procedure assists whistleblowers who may not have ready access to a computer or who, for other reasons, may prefer to submit their information in a hard-copy format. In those cases where whistleblowers elect to send in a Form TCR, OWB manually enters it into the TCR System so that it can be appropriately reviewed, assigned and tracked in the same manner as tips received through the online portal.

Key Performance Measures

Section 922(d) of the Dodd-Frank Act required the Office of the Inspector General (“OIG”) to conduct a study of the Commission’s whistleblower program and submit a report of findings. OIG issued its final report on January 18, 2013, which is posted on OWB’s website. In response to a recommendation in the OIG report, the Office developed performance metrics in several key areas to strengthen its internal controls.

During Fiscal Year 2014, OWB continued to perform testing to evaluate whether it was meeting its internal goals and objectives. For instance, on a periodic basis, OWB conducts analyses to determine whether all eligible cases are posted as NoCAs to its website, the percentage of calls returned by OWB to messages left on the hotline within 24 business hours, and the average number of business days between the issuance of a Final Order of the Commission and written notification to the claimant. We intend to continue undertaking key performance measures in order to ensure the Office is prompt in responding to whistleblowers and other interested parties and to evaluate whether the program is operating effectively.

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CLAIMS FOR WHISTLEBLOWER AWARDS

Whistleblower Awards

Since the inception of the Commission's whistleblower program in August 2011, the Commission has authorized awards to fourteen whistleblowers, with awards being made to nine whistleblowers during Fiscal Year 2014. In each instance, the whistleblower provided high-quality original information that allowed the Commission to more quickly uncover and investigate the securities law violation, thereby better protecting investors from further financial injury and helping to conserve limited agency resources.

Commission's Largest Award To Date

On September 22, 2014, the Commission authorized an award of more than \$30 million to a whistleblower who provided original information that led to a successful SEC enforcement action.¹⁰ This whistleblower award is more than double the amount of the previous highest award made under the SEC's whistleblower program.

The information provided by this whistleblower allowed the Commission to discover a substantial and ongoing fraud that otherwise would have been very difficult to detect. The whistleblower's information not only led to a successful Commission enforcement action, but also to successful related actions.

This is the fourth award to a whistleblower living in a foreign country. In issuing the award, the Commission specifically noted that allowing foreign nationals to receive awards under the program best effectuates the clear Congressional purpose underlying the award program, which was to further the effective enforcement of the U.S. securities laws by encouraging individuals with knowledge of violations of these U.S. laws to voluntarily provide that information to the Commission. In the Commission's view, there is a sufficient U.S. territorial nexus whenever a claimant's information leads to the successful enforcement of a covered action brought in the United States, concerning violations of the U.S. securities laws, by the Commission.

In reaching the award determination, the Commission considered the significance of the claimant's information, the assistance provided by the claimant, and the law enforcement interests at issue. The Commission also considered the claimant's delay in reporting the securities violations, which was found to be unreasonable.

The Commission determined that the claimant delayed coming to the Commission after first learning of the violation, during which time investors continued to suffer significant monetary injury that might otherwise have been avoided. The Commission also recognized, however, that some of the period of delay occurred before the whistleblower award program was established by the Dodd-Frank Act, and noted that, in the Commission's discretion, it determined not to apply the unreasonable delay consideration as severely as it might otherwise have done had the delay occurred entirely after the program's creation.

¹⁰ See Order Determining Award Claim, SEC Rel. No. 73174, File No. 2014-10 (Sept. 22, 2014).

Individual With Compliance or Internal Audit Responsibilities Receives Award After Reporting Internally

On August 29, 2014, the Office announced that the Commission had made an award of over \$300,000 to a whistleblower who provided critical information to the Commission that led to a successful enforcement action.¹¹

Under the whistleblower rules, information provided by persons with compliance or internal audit responsibilities is not considered to be “original information” unless an exception applies.¹² One of these exceptions permits such individuals to be eligible for a whistleblower award if they reported the violations internally to designated persons at least 120 days before providing the information to the Commission. In this case, the Commission applied this exception to permit an award to the whistleblower upon determining that the claimant had reported the information through the proper channels at least 120 days before reporting it to the Commission.

The Commission also denied another individual’s claim for award in the same matter. Enforcement staff responsible for the matter had not received any information from the claimant that related to the particular covered action upon which the claimant was seeking an award.

Aggressive Internal Reporting Considered in SEC Award

On July 31, 2014, the Commission awarded more than \$400,000 to a whistleblower who reported a fraud to the SEC after the company failed to address the issue internally.¹³

The whistleblower aggressively worked internally to bring the securities law violation to the attention of appropriate personnel in an effort to obtain corrective action. The Commission recognized the whistleblower’s persistent efforts in reporting the information to the Commission after learning that an inquiry by a self-regulatory organization (“SRO”) into the matter had been closed and that the whistleblower’s internal efforts would not protect investors from future harm.

Rule 21F-4(a)(1)(ii) under the Exchange Act provides that a whistleblower’s submission to the Commission will not be treated as “voluntary” if the whistleblower received a previous request relating to the same subject matter in connection with an SRO investigation. On the unique facts of this case, however, the Commission found it in the public interest and consistent with the protection of investors to invoke its general exemptive authority under Section 36(a) of the Exchange Act and waive the “voluntary” requirement in order to make an award to the whistleblower.

Three Whistleblowers Working in Concert To Stop Fraud

On July 22, 2014, the Commission awarded three whistleblowers collectively 30% of the recoveries in an SEC action where the whistleblowers provided information and continued to assist and cooperate with Commission staff during the course of

¹¹ See Order Determining Award Claim, SEC Rel. No. 72947, File No. 2014-9 (Aug. 29, 2014).

¹² See 240 C.F.R. §§ 21F-4(b)(4)(iii),(v).

¹³ See Order Determining Award Claim, SEC Rel. No. 72727, File No. 2014-8 (July 31, 2014).

the investigation.¹⁴ Based on the level of assistance each whistleblower provided to Enforcement staff, one whistleblower received 15%, another received 10%, and the third received 5%, for a total of 30% of the monetary sanctions collected in the action both now and in the future.

\$875,000 Awarded to Two Whistleblowers

On June 3, 2014, the Commission awarded a total of \$875,000, to be shared by two whistleblowers.¹⁵ These whistleblowers acted in concert to voluntarily provide information and assistance that helped the SEC bring a successful enforcement action. As a result, the Commission split the award evenly between the two whistleblowers.

Of particular note, a portion of the disgorgement and prejudgment interest in the Commission's action was deemed satisfied by the respondents' payment of that amount in another governmental action. The Commission included those funds for purposes of calculating the award payment to the two whistleblowers.

Whistleblower Tip Results in Emergency Relief To Protect Investors

On October 30, 2013, the Commission awarded a whistleblower \$150,000 whose tip assisted the SEC in stopping a scheme that was defrauding investors.¹⁶ The whistleblower in this matter provided significant information that allowed the SEC to quickly open an investigation and to obtain emergency relief before additional investors were harmed.

Additional Payments

During Fiscal Year 2014, there were several sizeable additional payments made to individuals who had received awards in previous fiscal years. In addition to receiving an award based on the amount collected in the SEC action or related action, an individual who receives a whistleblower award is entitled to receive future payouts to the extent the SEC or criminal authorities collect additional amounts.

On August 21, 2012, the Commission announced its first award payment of nearly \$50,000, representing 30% of amounts recovered by the agency at that point in time, to a whistleblower who provided information that helped halt a multi-million dollar fraud.¹⁷ On April 4, 2014, the Commission announced that this individual would receive an additional \$150,000 payout after the SEC collected additional funds from one of the defendants in the case. Because of further collection efforts by the agency, this whistleblower's total payment amount currently exceeds \$385,000, more than seven times the original payment amount.

Similarly, because of additional amounts collected by the Commission, the whistleblower who received over \$14 million in September 2013 received another payout exceeding \$140,000 during Fiscal Year 2014. Smaller payments also were made to certain other whistleblowers who received awards in prior fiscal years as the result of further collections by the agency in those matters.

¹⁴ See Order Determining Award Claim, SEC Rel. No. 72652, File No. 2014-6 (July 22, 2014).

¹⁵ See Order Determining Award Claim, SEC Rel. No. 72301, File No. 2014-5 (June 3, 2014).

¹⁶ See Order Determining Award Claim, SEC Rel. No. 70775, File No. 2014-2 (Oct. 30, 2013).

¹⁷ See Order Determining Award Claim, SEC Rel. No. 67698, File No. 2012-1 (Aug. 21, 2012).

Process for Reviewing Applications for Awards

The Office posts on its website a NoCA for each Commission enforcement action where a final judgment or order, by itself or together with other prior judgments or orders in the same action issued after July 21, 2010, results in monetary sanctions exceeding \$1,000,000.¹⁸ During Fiscal Year 2014, OWB posted 139 NoCAs, and since the program's inception, has posted 570 NoCAs, to its website.

OWB announces on Twitter each time a new group of NoCAs is posted to its website, and sends email alerts to GovDelivery when its website is updated.¹⁹ In addition, whistleblowers may sign up to receive an update via email every time the list of NoCAs on OWB's website is updated. Once a NoCA is posted, individuals have 90 calendar days to apply for an award by submitting a completed Form WB-APP to OWB by the claim due date listed for that action.²⁰

OWB attorneys evaluate each application for a whistleblower award, often tracking prior correspondence between the claimant and the Commission and analyzing intra-agency databases to understand the origin of the case and what tips or other correspondence or documents the claimant may have submitted to the Commission. OWB works closely with Enforcement staff responsible for the relevant action, as well as other Commission staff that may have had interaction with the claimant, to understand the contribution or involvement the applicant 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, OWB prepares a written recommendation as to whether the applicant should receive an award, and if so, the percentage of the award. The Office builds a comprehensive record to support its recommendation, which may include declarations from Enforcement or other Commission staff.

The Claims Review Staff, designated by the Director of Enforcement, considers OWB's recommendation in accordance with the criteria set forth in the Dodd-Frank Act and the Final Rules. The Claims Review Staff currently is comprised of five senior officers in Enforcement, including the Director of Enforcement. The Claims Review Staff then issues a Preliminary Determination setting forth its assessment as to whether the claim should be allowed or denied and, if allowed, setting forth the proposed award percentage amount.²¹

If a claim is denied and the applicant does not object within the statutory time period, then the Preliminary Determination of the Claims Review Staff becomes the Final Order of the Commission. However, an applicant can submit a written request within 30 calendar days for a copy of the record that formed the basis of the Claims Review

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¹⁸ OWB posts a NoCA for every enforcement action that results in monetary sanctions exceeding \$1,000,000. By posting a NoCA for a particular case, the Commission is not making a determination either that (i) a whistleblower tip, complaint or referral led to the Commission opening an investigation or filing an action with respect to the case or (ii) an award to a whistleblower will be paid in connection with the case.

¹⁹ GovDelivery is a vendor that provides communications for public-sector clients.

²⁰ 240 C.F.R. §§ 21F-10(a), (b).

²¹ 240 C.F.R. § 21F-10(d).

Staff's decision. Whistleblowers also can seek reconsideration with OWB by submitting a written response within 60 calendar days of the later of (i) the date of the Preliminary Determination, or (ii) the date when OWB made the record available for the whistleblower's review.²² After considering any requests for reconsideration, the Claims Review Staff issues a Proposed Final Determination, and the matter is forwarded to the Commission for its decision.²³

All Preliminary Determinations of the Claims Review Staff that involve an award of money also are forwarded to the Commission for consideration as Proposed Final Determinations irrespective of whether the applicant objected to the Preliminary Determination.²⁴

Within 30 days of receiving notice of the Proposed Final Determination, any Commissioner may request that the Proposed Final Determination be 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. In the event a Commissioner requests a review, the Commission reviews the record that the Claims Review Staff relied upon in making its determination and issues its Final Order.²⁵

All Final Orders of the Commission are posted to OWB's website. The Final Orders made publicly available on OWB's website are redacted to protect the confidentiality of the award applicant.

Curbing Abuses in the Program

On May 12, 2014, a Final Order of the Commission was issued denying an individual's claims for award in connection with 143 different NoCAs.²⁶ The Order found that the individual was ineligible for an award in those matters or in any future covered or related action. The Commission previously denied 53 claims for awards submitted by this individual.

Over the course of several years, this individual submitted TCRs, WB-APPs, and other communications with Commission officials that contained patently false or fictitious statements. OWB engaged in numerous communications with the individual to explain the rules governing the whistleblower program, the deficiencies of this individual's WB-APP submissions, and gave this individual the opportunity to take corrective action. OWB informed the individual that a factual nexus must exist between the tip submitted and the Notice of Covered Action for which the application for award was based. OWB made clear to this individual that repeatedly filing claims for whistleblower awards that have no relation to the facts in the underlying matter will not result in an award under the whistleblower program. Despite OWB's admonitions, this individual continued to submit frivolous and unsupported claims for awards.

²² 240 C.F.R. § 21F-10(e).

²³ 240 C.F.R. §§ 21F-10(g),(h).

²⁴ 240 C.F.R. §§ 21F-10(f),(h).

²⁵ 240 C.F.R. § 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 Rule 21F-13(a) of the Final Rules, 240 C.F.R. § 21F-13(a).

²⁶ See Final Order (May 12, 2014), available at <http://www.sec.gov/about/offices/owb/owb-final-orders.shtml>.

This individual's submission of false and baseless claims for awards harmed the rights of legitimate whistleblowers and hindered the Commission's implementation of the whistleblower program by, among other things, delaying the Commission's ability to finalize meritorious awards to other claimants. This individual's submission of frivolous claims also consumed valuable staff resources. The Final Order found that this individual's knowing and willful state of mind in making these statements was evidenced by the vague, unsupported, and utterly incredible nature of the statements, the individual's continued submission of claim applications that lacked any factual nexus to the covered actions, and the individual's persistent refusal to withdraw numerous unsupported claims or to change behavior in spite of repeated requests and explanations by OWB. For these reasons, not only did the Commission deny this individual's claims for awards in connection with 196 actions, but also found this individual ineligible for any future award consideration.²⁷

Claim Denials

In addition to denying the 196 claims for awards submitted by one individual, the Commission also has issued Final Orders denying 19 claims for whistleblower awards submitted by other individuals, with 12 of those denials being issued during Fiscal Year 2014.²⁸

Claims for awards have been denied on a number of different grounds. The three primary reasons cited in the Final Orders for why a claim was denied include the following: (1) the claimant's information was not "original" information because it was not provided to the Commission for the first time after July 21, 2010; (2) the claimant failed to submit his or her application for award within 90 calendar days of the posting of the NoCA; and (3) the claimant's information did not lead to the successful enforcement action because it did not cause Enforcement staff to open the investigation or significantly contribute to the success of the action. OWB anticipates that as we move further from July 21, 2010 (the date the Dodd-Frank Act was signed into law) there will be fewer claims denied on the basis that the information does not qualify as "original" information because it was not provided for the first time after that date.

²⁷ See Rule 21F-8(c)(7) (providing that an individual is not eligible for a whistleblower award if, in connection with a whistleblower submission or other dealings with the Commission, the individual knowingly and willfully makes any false, fictitious, or fraudulent statement or representation with intent to mislead or otherwise hinder the Commission or another authority).

²⁸ See Final Orders of the Commission, *available at* <http://www.sec.gov/about/offices/owb/owb-final-orders.shtml>.

PROFILES OF WHISTLEBLOWER AWARD RECIPIENTS

“The Office views protecting whistleblower confidentiality as an integral component of the whistleblower program.”

The Dodd-Frank Act prohibits the Commission or its staff from disclosing any information that could reasonably be expected to reveal the identity of a whistleblower, subject to certain exceptions. The Office views protecting whistleblower confidentiality as an integral component of the whistleblower program. For this reason, information that may tend to reveal a whistleblower’s identity is redacted from Commission orders granting or denying awards before they are issued publicly. In some cases, this may include redacting the caption of the enforcement action upon which the award is based.

Consistent with our practice of maintaining whistleblower confidentiality as provided for in the Dodd-Frank Act—but in an effort to provide more transparency—the following provides certain information on an aggregate basis regarding whistleblowers who have received awards under the program, while still protecting the identity of any particular individual.

There are commonalities among the tips or complaints that were submitted by these successful whistleblowers. The information provided by each award recipient was specific, in that the whistleblower identified particular individuals involved in the fraud, or pointed to specific documents that substantiated their allegations or explained where such documents could be located. In some instances, the whistleblower identified specific financial transactions that evidenced the fraud. The alleged misconduct was relatively current or ongoing. Because of the specific, credible, and timely nature of their tips, their information was forwarded to Enforcement staff, who followed up by contacting the whistleblowers. These whistleblowers then provided additional information or assistance to the staff during the course of the investigation.

Although there is no requirement under the whistleblower rules that an individual be a current or former employee to be eligible for an award, several of the individuals who have received awards to date were company insiders. To date, over 40% of the individuals who received awards were current or former company employees. Furthermore, an additional 20% of the award recipients were contractors, consultants, or were solicited to act as consultants for the company committing the securities violation.

Of the award recipients who were current or former employees, over 80% raised their concerns internally to their supervisors or compliance personnel before reporting their information of wrongdoing to the Commission. In these instances, the individuals reported information concerning possible securities violations to the Commission only after reporting the information internally and understood that the entity was not taking steps to address or remedy the violative conduct.

Individuals may obtain information of possible wrongdoing through other channels. The remaining award recipients obtained their information because they were investors who had been victims of the fraud, or were professionals working in the same or similar industry, or had a personal relationship with one of the defendants.

There is no requirement that an individual be represented by counsel when submitting information to the Commission, unless the whistleblower chooses to submit the information anonymously. A majority of the award recipients were not represented by counsel when they submitted their tip or complaint to the Commission. On the other hand, the majority of award recipients were represented by counsel when they applied for an award.

If represented by counsel, a whistleblower may choose to submit his or her tip anonymously to the Commission. However, only one of the fourteen award recipients to date submitted the information anonymously. Whistleblowers must subsequently identify themselves when they apply for an award to allow OWB to assess whether they satisfy the criteria for receiving an award under the whistleblower rules. Even at the time of an award, however, their identity is not made available to the public.

Several of the cases in which a whistleblower received an award concerned firms involved in the financial services industry, with some involving broker-dealers. A number of the award recipients reported information to the Commission concerning ongoing Ponzi schemes, which enabled the Commission to quickly halt the fraudulent scheme and protect investors from further harm. Other award recipients provided tips to the Commission relating to false or misleading statements in a company's offering memorandum or marketing materials or false pricing information, among other types of allegations.

Under the whistleblower rules, individuals are permitted to jointly submit a tip to the Commission. Three of our cases in which an award payment was made involved two or more whistleblowers jointly submitting information and materials to the Commission. In these cases, each whistleblower received a percentage of the amounts collected in the SEC enforcement action or related action, based on his or her level of contribution and assistance to the case.

Individuals who provide information that leads to successful SEC actions resulting in monetary judgments over \$1,000,000 also may be eligible to receive an award if the same information led to a related action, such as a parallel criminal prosecution. Six of the award recipients have received payments based, in part, on collections made in other actions.

The award recipients hail from several different parts of the country, and certain of the award recipients are foreign nationals who reside outside of the United States.

EFFORTS AT COMBATTING RETALIATION

SEC's First Anti-Retaliation Case

Section 21F(h)(1) of the Exchange Act, promulgated by Section 922 of the Dodd-Frank Act, prohibits employers from retaliating against individuals in the terms and conditions of their employment when they engage in whistleblowing activities. Rule 21F-2(b)(2) under the Exchange Act provides that Section 21F(h)(1) is enforceable in an action or proceeding brought by the Commission.²⁹ This rule reflects the fact that the Commission has general enforcement authority over any violation of the Exchange Act.

“On June 16,
2014, the SEC
exercised its
anti-retaliation
authority for the
first time...”

On June 16, 2014, the SEC exercised its anti-retaliation authority for the first time and charged hedge fund advisory firm Paradigm Capital Management, Inc. (“Paradigm”) with retaliating against an employee for reporting prohibited principal transactions to the Commission.³⁰ Paradigm and the firm’s owner, Candace King Weir, agreed to pay \$2.2 million to settle the Commission’s charges, including for the firm’s violation of Section 21F(h)(1).

According to the SEC’s order, Paradigm’s head trader reported trading activity to the Commission revealing that Paradigm engaged in prohibited principal transactions with an affiliated broker-dealer without providing effective disclosure or consent from a hedge fund client advised by Paradigm. After being notified of the report to the SEC by the head trader, Paradigm immediately engaged in a series of retaliatory actions. Paradigm removed the whistleblower from the head trader position, tasked the whistleblower with investigating the very conduct that had been reported to the SEC while blocking access to any meaningful resources to do so, changed the whistleblower’s job function from head trader to a full-time compliance assistant, and stripped the whistleblower of supervisory responsibilities. The series of retaliatory actions ultimately resulted in the whistleblower’s resignation.

The Commission’s action against Paradigm illustrates that, under Section 21F(h)(1), unlawful retaliation does not require that an employee be terminated. Rather, any retaliatory action, including demoting, suspending, threatening, or harassing an employee for engaging in protected whistleblowing activity, may be actionable. In the Paradigm matter, the whistleblower was not terminated and the compensation structure remained the same.

Amicus Curiae Briefs

An important aspect of the Commission’s whistleblower program is ensuring that, to the fullest extent the law permits, individuals are protected from employment retaliation when they report potential securities law violations. In the Dodd-Frank Act, Congress expressly prohibited employment retaliation against individuals for reporting securities law violations and provided that individuals who have experienced such retaliation may pursue a private cause of action in the federal courts.

²⁹ 240 C.F.R. § 21F-2(b)(2).

³⁰ See *In the Matter of Paradigm Capital Management, Inc. and Candace King Weir*, SEC Rel. No. 72393, File No. 3-15930 (June 16, 2014).

Several courts have interpreted the statutory language in an unduly narrow manner that limits employment retaliation protection only to those individuals who report securities law violations directly to the Commission.³¹ The SEC has consistently disagreed with this narrow interpretation. Indeed, when it issued the Final Rules under the whistleblower program in 2011, the Commission included a rule to clarify that the Dodd-Frank employment retaliation protections apply not just to individuals who report to the SEC but also to individuals when they, among other things, report potential securities law violations internally at public companies.³²

Since the SEC adopted this rule, disagreement over how to properly interpret the Dodd-Frank employment retaliation provisions has continued to arise in private cases in the federal courts. In several of these cases, the SEC over the past year has filed *amicus curiae* briefs to urge the courts to defer to the SEC's rule and to hold that individuals are entitled to employment retaliation protection if they report information of a possible securities violation internally at a publicly-traded company, regardless of whether they have separately reported the information to the SEC.³³ As the SEC has explained in these *amicus* filings, ensuring that employees are protected from employment retaliation whenever they report possible securities law violations, whether internally or to the SEC, is critical to the SEC's enforcement efforts. Put simply, if individuals are not assured that they will be protected from retaliation if they report internally they will be less likely to do so, which could undermine the important role that public companies' internal compliance programs play in helping the Commission prevent, detect, and stop securities law violations. The only court to rule on the issue briefed by the Commission agreed with the agency that internal reports can be protected.³⁴

In addition, the Commission joined in the *amicus* brief of the United States in a case where the Supreme Court, on March 4, 2014, held that the Sarbanes-Oxley's anti-retaliation protections are not limited to employees of publicly-traded companies, but also extend to employees of contractors to the companies.³⁵ As the Dodd-Frank employment retaliation protections extend to reports protected under Sarbanes-Oxley,³⁶ the Supreme Court's ruling means that employees of contractors to publicly-traded companies—such as employees of outside counsel or accountants or of investment advisers to mutual funds—are likewise protected under the Dodd-Frank Act.

³¹ See, e.g., *Asadi v. G.E. Energy (USA), L.L.C.*, 720 F.3d 620 (5th Cir. 2013).

³² 240 C.F.R. § 21F-2(b)(1). The anti-retaliation protections apply whether or not the individual satisfies the requirements to qualify for an award. *Id.* § 21F-2(b)(1)(ii).

³³ See, e.g., *Liu Meng-Lin v. Siemens AG*, 13-4385 (2d Cir. 2013); *Lutzeier v. CitiGroup, Inc.*, 14-cv-00183 (E.D. Mo. 2014); *Doe v. Oppenheimer Asset Mgmt., Inc.*, 14-cv-00779 (S.D.N.Y. 2014); *Peters v. LifeLock, Inc.*, 14-cv-00576 (D. Ariz. 2014).

³⁴ See *Peters v. LifeLock, Inc.*, Order at 6-13 (Sept. 19, 2014).

³⁵ See *Lawson v. FMR LLC*, 134 S.Ct. 1158 (2014).

³⁶ See 15 U.S.C. 78u-6(h)(1)(A)(iii).

WHISTLEBLOWER TIPS RECEIVED

The Final Rules specify that individuals who would like to be part of the whistleblower program must submit their tip via the Commission's online TCR questionnaire portal or by mailing or faxing their tip on Form TCR to OWB.³⁷ Whistleblowers who use the online portal to submit a complaint receive a simultaneous computer-generated confirmation receipt with a TCR submission number. For those who submit their tips and complaints via mail or fax, OWB sends an acknowledgement letter, which includes a TCR submission number, or a deficiency letter. All whistleblower tips related to potential securities law violations received by the Commission are entered into the TCR System and are evaluated by the Commission's Office of Market Intelligence.

Increase in Whistleblower Tips

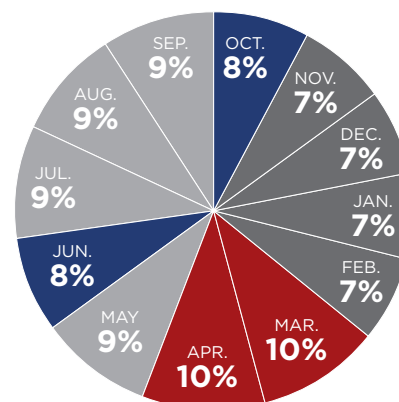
For each year that the whistleblower program has been in operation, the Commission has received an increasing number of whistleblower tips. Since August 2011, the Commission has received a total of 10,193 whistleblower tips, and in Fiscal Year 2014 alone, received 3,620 whistleblower TCRs.³⁸

The table below shows the number of whistleblower tips received by the Commission on a yearly basis since the inception of the whistleblower program:

FY2011 ³⁹	FY2012	FY2013	FY2014
334	3,001	3,238	3,620

As reflected in the table, the number of whistleblower tips received by the Commission has increased each year the program has been in operation. From Fiscal Year 2012, the first year for which we have full-year data, to Fiscal Year 2014, the number of whistleblower tips received by the Commission has grown more than 20%.

The graphic shows by percentage the number of whistleblower tips the Commission received on a monthly basis during Fiscal Year 2014. As reflected in the chart, the volume of tips remained relatively steady throughout the year, with the highest number of whistleblower tips being received during the months of March and April.



³⁷ 240 C.F.R. § 21F-9(a).

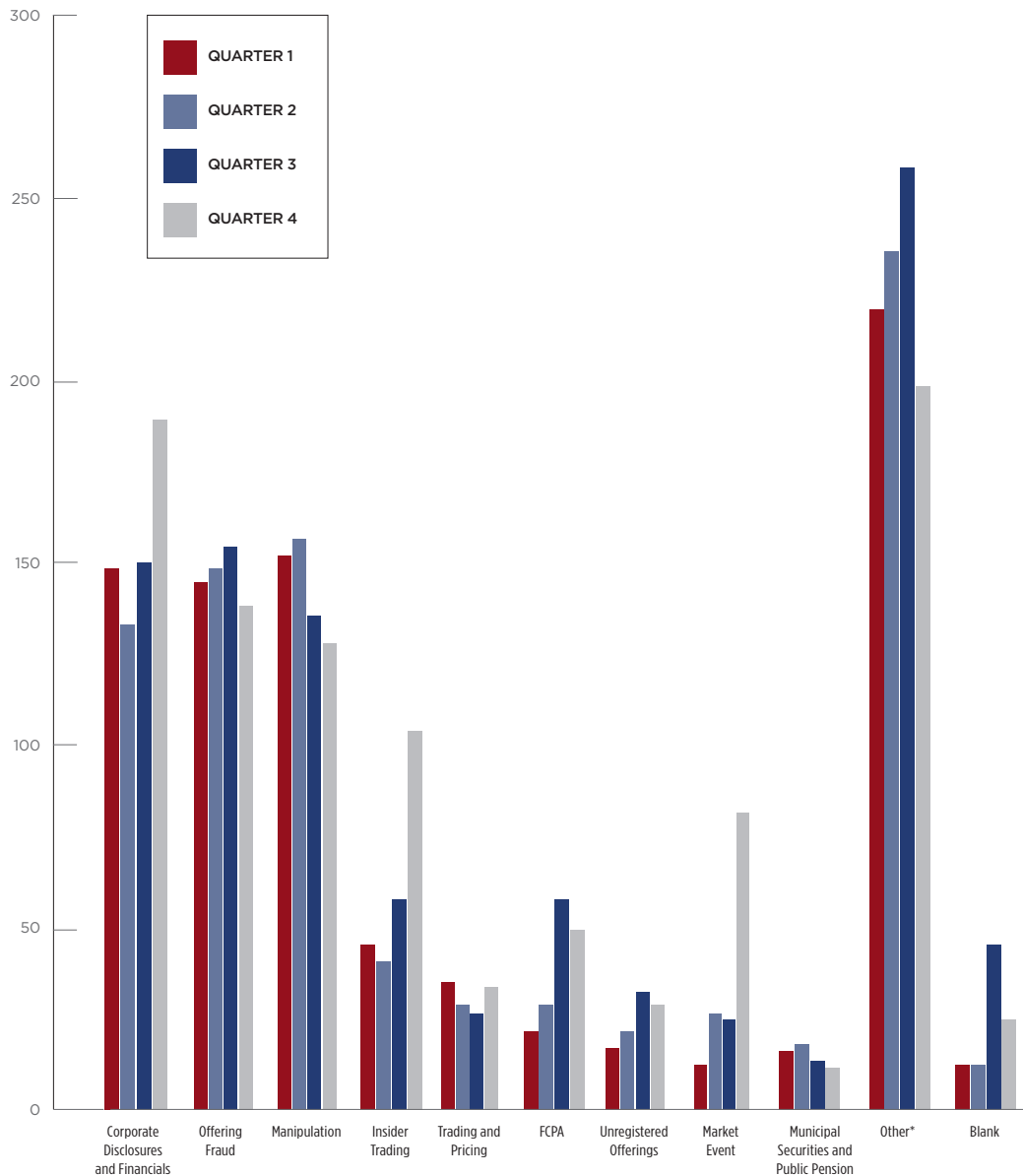
³⁸ The Commission also receives TCRs from individuals who do not wish, or are not eligible, to be considered for an award under the whistleblower program. The data in this report is limited to those TCRs that include the required whistleblower declaration and does not reflect all TCRs received by the Commission during the fiscal year.

³⁹ Because the Final Rules became effective August 12, 2011, only 7 weeks of whistleblower data is available for Fiscal Year 2011.

Whistleblower Allegation Type

Whether submitting their tips on Form TCR or through the online questionnaire, whistleblowers are asked to identify the nature of their complaint allegations. For Fiscal Year 2014, the most common complaint categories reported by whistleblowers included Corporate Disclosures and Financials (16.9%), Offering Fraud (16%), and Manipulation (15.5%).⁴⁰

The chart below reflects the number of whistleblower tips received in Fiscal Year 2014 by allegation type.⁴¹



⁴⁰ This breakdown reflects the categories selected by whistleblowers and, thus, the data represents the whistleblower's own characterization of the violation type.

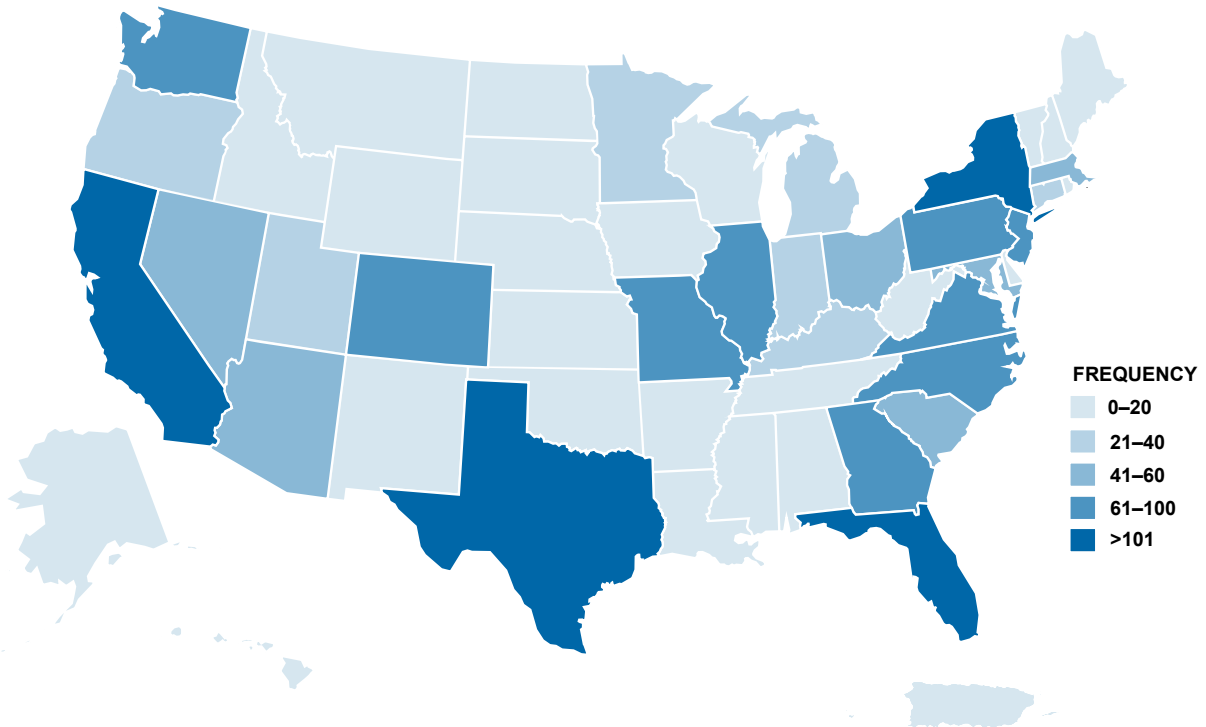
⁴¹ The category of "other" indicates that the submitter has identified their WB TCR as not fitting into any allegation category that is listed on the questionnaire.

The type of securities violation reported by whistleblowers has remained generally consistent over the last three 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. Appendix A provides a comparison between the number of whistleblower tips by allegation type that the Commission received during the 2012, 2013, and 2014 fiscal years.

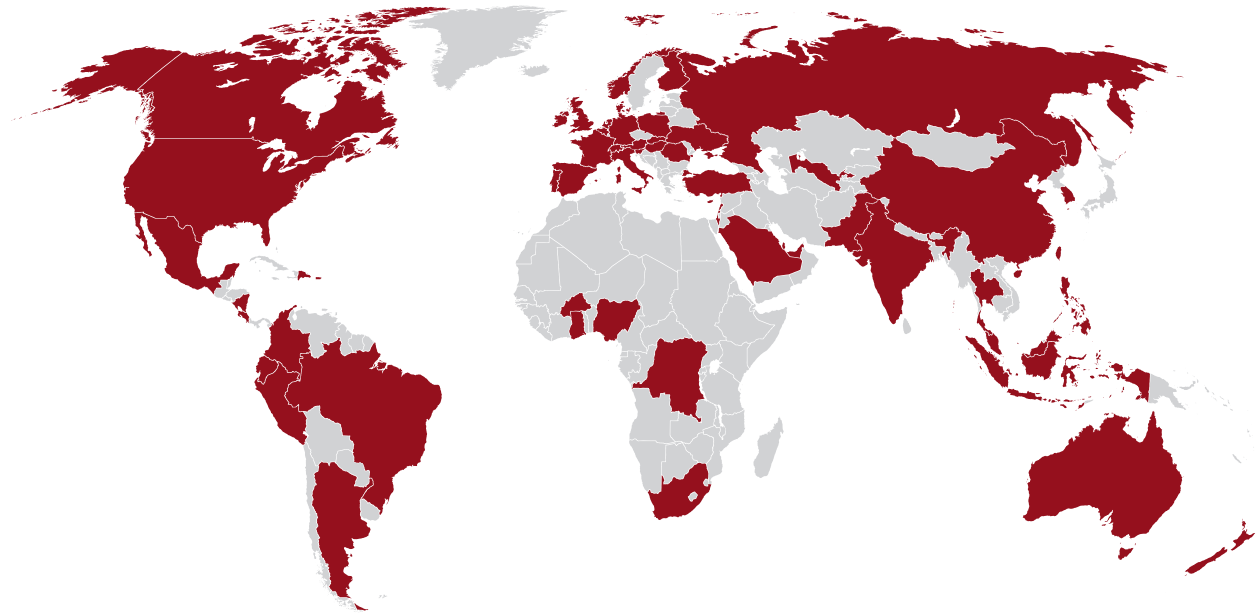
Geographic Origin of Whistleblower Tips

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 Fiscal Year 2014, the Commission received whistleblower submissions from individuals in all fifty states, as well as from the District of Columbia and the U.S. territory of Puerto Rico, as reflected in the map below. California, Florida, New York, and Texas were the top states from which the highest number of whistleblower tips originated in the 2014 fiscal year.



Since the beginning of the whistleblower program, the Commission has received whistleblower tips from individuals in 83 countries outside the United States. In Fiscal Year 2014 alone, the Commission received whistleblower submissions from individuals in 60 foreign countries. After the United States, OWB received the highest number of whistleblower tips in Fiscal Year 2014 from individuals in the United Kingdom, India, Canada, the People's Republic of China, and Australia. The map below reflects all countries in which whistleblower tips originated during Fiscal Year 2014.



Appendices B and C, which accompany this report, provide more specific information concerning the sources of domestic and foreign whistleblower tips that the Commission received during the 2014 fiscal year.

PROCESSING OF WHISTLEBLOWER TIPS

The Commission's Office of Market Intelligence ("OMI") evaluates incoming whistleblower TCRs and assigns specific, credible, and timely TCRs to members of Commission staff for further investigation or analysis.

TCR Evaluation

OMI reviews every TCR submitted by a whistleblower to the Commission. During the evaluation process, OMI staff examines each tip to identify those with high-quality information that warrant the additional allocation of Commission resources. When OMI determines a complaint warrants deeper investigation, OMI staff assigns the complaint to one of the Commission's eleven regional offices, a specialty unit, or to an Enforcement Associate Director in the Home Office. Complaints that relate to an existing investigation are forwarded to the staff working on the matter. Tips that could benefit from the specific expertise of another Division or Office within the Commission generally are forwarded to staff in that Division or Office for further analysis.

The Commission may use information from whistleblower tips and complaints in several different ways. For example, the Commission may initiate an enforcement investigation based on the whistleblower's tip or complaint. Even if a whistleblower's 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 substantially contributes to an ongoing or active investigation. Tips also may prompt the Commission to commence an examination of a regulated entity or a review of securities filings, which may lead to an enforcement action.

As noted previously, OWB actively tracks whistleblower tips that are referred to Enforcement staff for investigation or follow-up. OWB currently is tracking over 600 matters in which a whistleblower's tip has caused a Matter Under Inquiry ("MUI") or investigation to be opened or which have been forwarded to Enforcement staff for review and consideration in connection with an ongoing investigation. However, not all of these matters will result in an enforcement action, or an enforcement action where the required threshold of over \$1,000,000 in monetary sanctions will be ordered.

In general, the more specific, credible, and timely a whistleblower tip, the more likely it is that the tip will be forwarded to Enforcement staff for further follow-up 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 or which do not relate to the federal securities laws are more likely not sent to or pursued by Enforcement staff.

In certain instances, OMI may determine it is more appropriate that a whistleblower's tip be investigated by another regulatory or law enforcement agency. When this occurs, we refer the tip to the other agency in accordance with our confidentiality requirements under the statute.

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 via mail or fax, OWB enters this information into the TCR System so it can be evaluated by OMI.⁴² During the evaluation process, OWB may assist by contacting the whistleblower to obtain additional information to help in the triage process.

During an investigation, OWB serves as a liaison between the whistleblower (and his or her counsel) and SEC investigative staff. OWB occasionally arranges meetings between whistleblowers and the subject matter experts in Enforcement to assist in better understanding the whistleblower's submissions and developing the facts of specific cases. OWB staff also communicates frequently with Enforcement staff with respect to the timely documentation of information regarding the staff's interactions with whistleblowers, the value of the information provided by whistleblowers, and the assistance provided by whistleblowers as the potential securities law violation is being investigated.

⁴² Tips submitted by whistleblowers through the Commission's online Tips, Complaints and Referrals questionnaire are automatically forwarded to OMI for evaluation.

SECURITIES AND EXCHANGE COMMISSION INVESTOR PROTECTION FUND

Section 922 of the Dodd-Frank Act established the Fund to provide funding for the Commission’s whistleblower award program, including the payment of awards in related actions.⁴³ In addition, the Fund is used to finance the operations of the suggestion program of the SEC’s Office of Inspector General.⁴⁴ The suggestion program is intended for the receipt of suggestions from Commission employees for improvements in work efficiency, effectiveness, productivity, and the use of resources at the Commission, as well as allegations by Commission employees of waste, abuse, misconduct, or mismanagement within the Commission.⁴⁵

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 Fiscal Year 2014.

	FY 2014
Balance of Fund at beginning of fiscal year	\$439,196,609.36
Amounts deposited into or credited to Fund during fiscal year	\$0.00 ⁴⁶
Amount of earnings on investments during fiscal year	\$579,107.90
Amount paid from Fund during fiscal year to whistleblowers	(\$1,932,863.92) ⁴⁷
Amount disbursed to Office of the Inspector General during fiscal year	(\$47,078.42)
Balance of Fund at end of the fiscal year	\$437,795,774.92

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

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

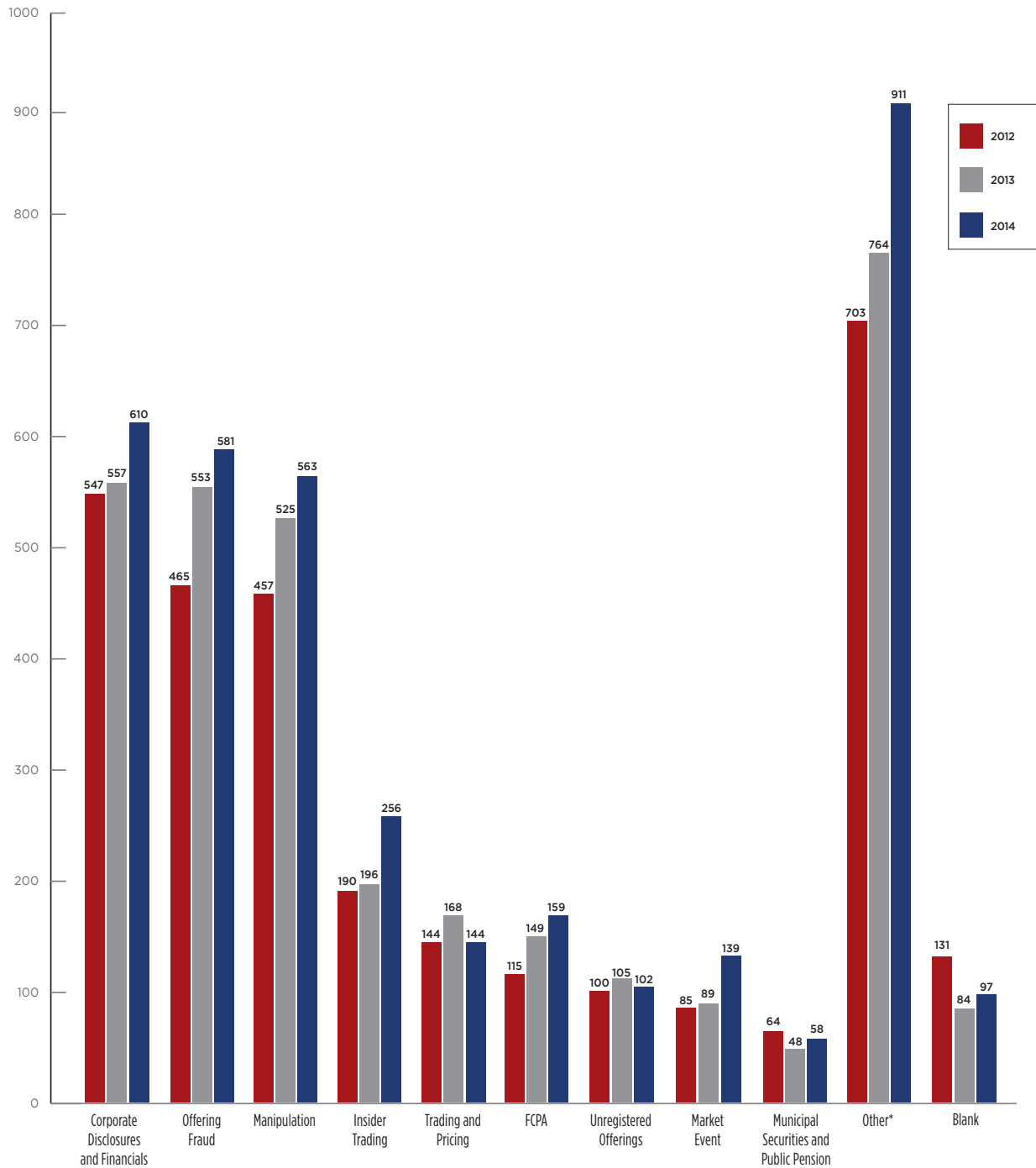
⁴⁴ Section 21F(g)(2)(B) of the Exchange Act provides that the Fund shall be available to the Commission for “funding the activities of the Inspector General of the Commission under section 4(i).” 15 U.S.C. § 78u-6(g)(2)(B). The Office of the General Counsel has interpreted Section 21F(g)(2)(B) to refer to Section 4D of the Exchange Act, which establishes the Inspector General’s suggestion program. Subsection (e) of 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.” 15 U.S.C. § 78d-4(e).

⁴⁵ Section 4D(a) of the Exchange Act, 15 U.S.C. § 78d-4(a).

⁴⁶ Pursuant to Section 21F(g)(3) of the Exchange Act, no monetary sanctions are deposited into or credited to the Fund if the balance of the Fund exceeds certain thresholds at the time the monetary sanctions are collected.

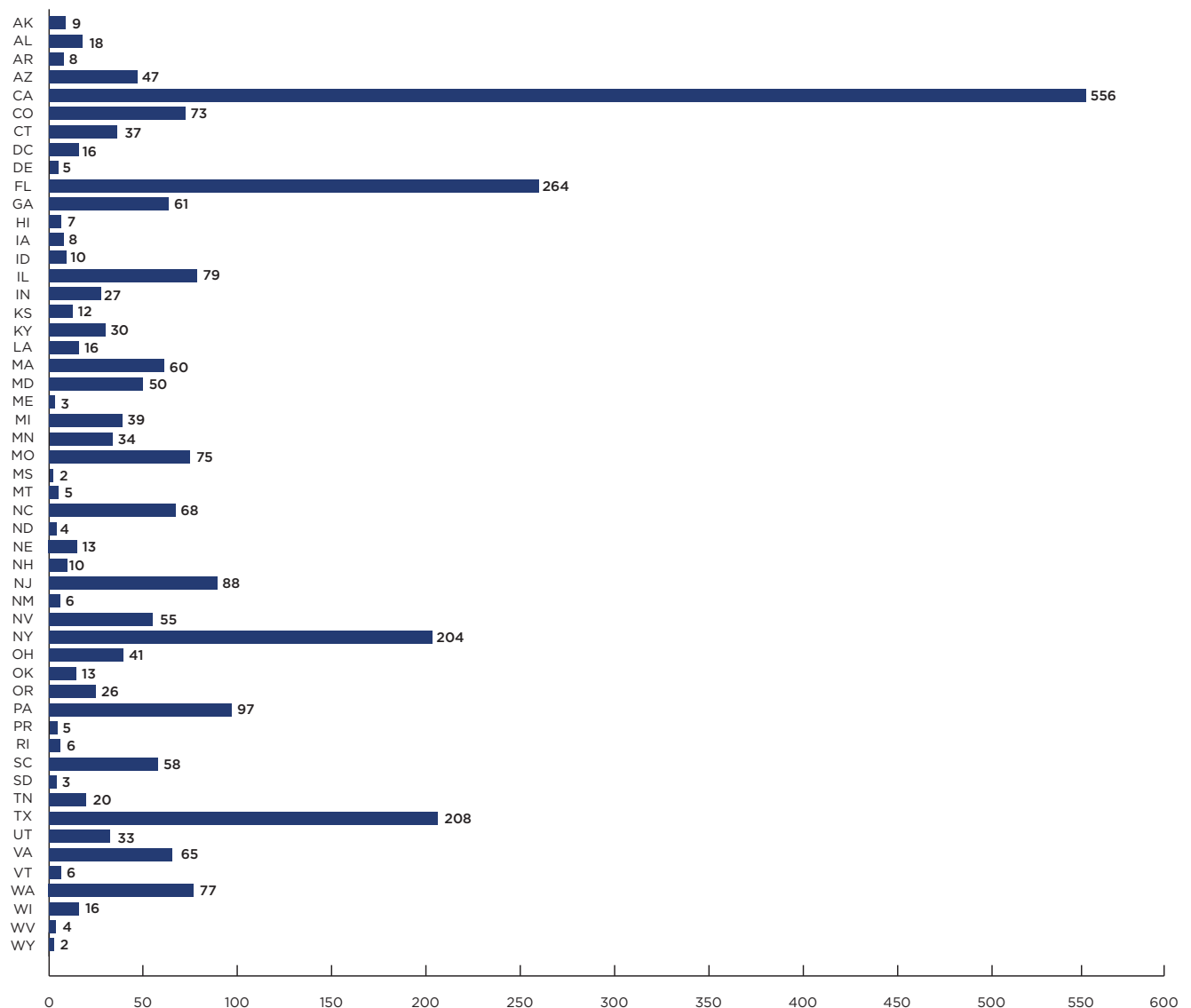
⁴⁷ Certain of the whistleblower awards authorized by the Commission during Fiscal Year 2014 were paid after September 30, 2014. As such, any payments made after the close of the fiscal year are not reflected in the above chart.

APPENDIX A
WHISTLEBLOWER TIPS BY ALLEGATION TYPE
COMPARISON OF FISCAL YEARS 2012, 2013 AND 2014



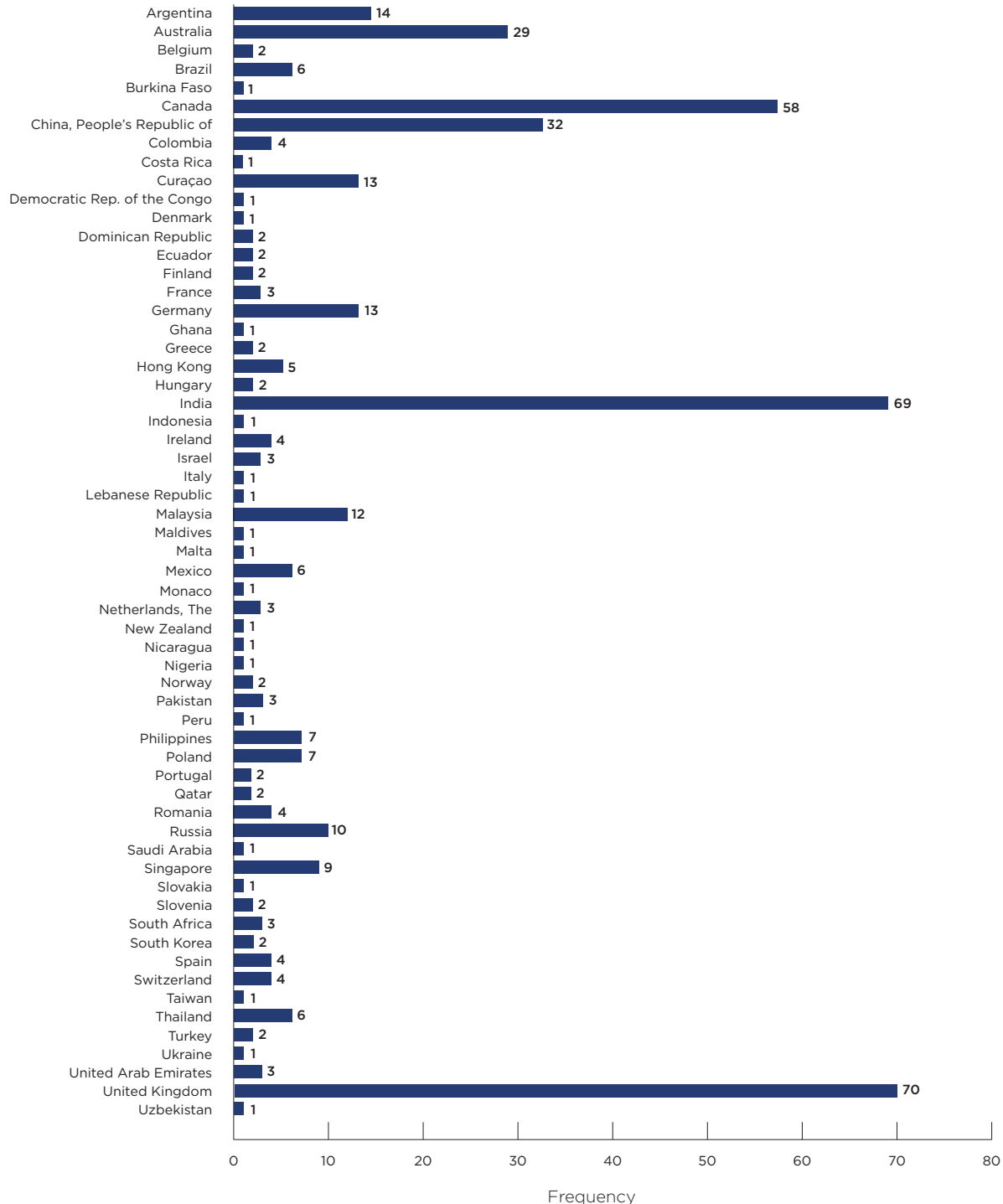
* "Other" indicates that the submitter has identified their WB TCR as not fitting into any allegation category that is listed on the questionnaire.

APPENDIX B
WHISTLEBLOWER TIPS RECEIVED BY GEOGRAPHIC LOCATION
UNITED STATES AND ITS TERRITORIES
FISCAL YEAR 2014*



*Multiple individuals may jointly submit a TCR under the Commission's whistleblower program. Appendix B reflects the number of individuals submitting WB TCRs to the Commission within the United States or one of its territories, and not the total number of domestic WB TCRs received by the Commission during Fiscal Year 2014. For example, a WB TCR that is jointly submitted by two individuals in New York and New Jersey would be reflected on Appendix B as a submission from both New York and New Jersey. The total number of persons submitting WB TCRs in the United States or one of its territories during Fiscal Year 2014 was 2683, which constitutes approximately 68.95% of the individuals participating in the Commission's whistleblower program for this period. Additionally, 760 individuals constituting 19.53% of the total number of persons participating in the Commission's whistleblower program for Fiscal Year 2014 submitted WB TCRs without any foreign or domestic geographical categorization or submitted them anonymously through counsel.

APPENDIX C WHISTLEBLOWER TIPS RECEIVED BY GEOGRAPHIC LOCATION INTERNATIONAL FISCAL YEAR 2014*



*As with domestic WB TCRs, multiple individuals from abroad may jointly submit a TCR under the Commission's whistleblower program. Appendix C reflects the number of individuals submitting WB TCRs to the Commission from abroad, and not the total number of foreign WB TCRs received by the Commission during Fiscal Year 2014. The total number of persons submitting WB TCRs from abroad during Fiscal Year 2014 was 448, which constitutes approximately 11.51% of the individuals participating in the Commission's whistleblower program for this period.

