

SEC's Whistleblower Program Sees Record Increase in Tips but Fewer Payouts

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Despite a 50% increase in whistleblower tips over fiscal year (FY) 2022, the number of whistleblowers who received awards from the Securities and Exchange Commission (SEC) decreased significantly in FY 2023. This trend highlights some key issues with the whistleblower program.

The SEC's whistleblower program, which was incorporated into the Dodd-Frank financial reform law of 2010, was created to ensure that tips regarding financial wrongdoing received adequate attention and investigation. Since its launch, the whistleblower program has helped the SEC recover more than \$6 billion and, through the program, the SEC has paid nearly \$2 billion to whistleblowers.

According to the SEC, FY 2023 was a record year for whistleblower tips with the SEC receiving 18,000 tips. The SEC also awarded the largest payout in agency history to one informant.

The increase in the number of tips, however, was not accompanied by an increase in the number of whistleblowers receiving payouts. While in FY 2023 the SEC awarded nearly \$600 million to whistleblowers, more than half of that total was comprised of just two awards. Indeed, only 68 whistleblowers received any money in FY 2023, compared to more than 100 in each of the previous two years.

Additionally, neither the whistleblower program's staffing nor its budget have increased to handle the substantial increase in tips. Per a recent *Bloomberg Law* article, “[i]nterviews with attorneys who participate in the program and a review of SEC decisions — along with court cases challenging some of those decisions — portray a program straining under the weight of its success.” This is in contrast to other initiatives, like crypto and cybersecurity enforcement, which have received funding increases for increased staff.

Given how the whistleblower program has grown since it was designed in 2010, certain areas need attention from Congress and the SEC itself. Such areas include the duration of the whistleblower process, which can take years; the delays whistleblowers experience in receiving compensation even after sanctions are imposed; the difficulty whistleblowers face when appealing an SEC decision; the lack of information whistleblowers receive throughout the process; and the [SEC's lack of transparency and consistency](#) in applying its own rules, including its exclusion of statistics shared in previous years from its FY 2023 annual report.

Another area of concern is the lack of recovery protections for whistleblowers if a target company declares bankruptcy. In March 2023, the SEC approved awards for whistleblowers who separately uncovered a [\\$1 billion fraud](#) by a Texas viatical company. The whistleblowers spent years helping the SEC investigate and prosecute,

yet when the company declared bankruptcy and a bankruptcy court returned about \$1 billion to investors, the SEC said the whistleblowers were not entitled to any of that money. The whistleblowers have asked the U.S. Court of Appeals for the Fifth Circuit to overturn that decision, and the case is pending.

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