

Whistle-blahing

Limits set on SEC tipster program

By KAJA WHITEHOUSE

The government's expanded whistleblower program promises big payouts for tipsters who come forward with wrongdoing — but not just anyone can profit from it.

The Securities and Exchange Commission proposed new rules yesterday that will limit who is eligible to collect multimillion-dollar bounties for tipping off the financial watchdog to fraud.

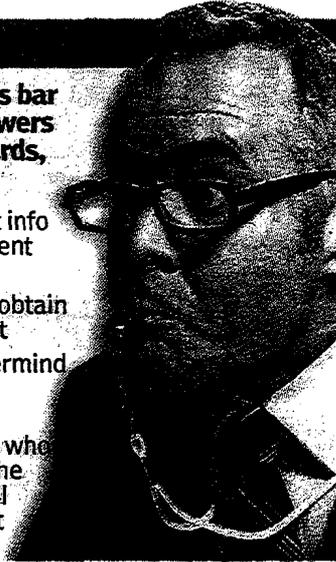
Lawyers, auditors and internal compliance personnel who have a responsibility to the company could be flat out of luck when it comes to reaping financial awards under the program. The same goes for people “who mastermind the very crime they are reporting,” SEC chief Mary Schapiro said.

In July, Congress required the SEC to start paying rewards to people who help the agency ferret out

Hold it

Proposed SEC rules bar certain whistleblowers from reaping rewards, including:

- Attorneys who get info from confidential client conversations
- Accountants who obtain info through an audit
- People who mastermind the crime they are reporting
- Company officials who are given info with the expectation they will investigate or stop it



corporate wrongdoing such as Ponzi schemes or accounting fraud. Tipsters stand to get up to 30 percent of whatever sanctions or penalties the government collects over \$1 million.

A whistleblower behind

the SEC's historic \$550 million fine against Goldman Sachs, for example, could have pocketed a cool \$165 million.

In its latest effort to get the program off the ground, the agency proposed a slate of new rules that detail

how it will work and who can profit from it.

The SEC stopped short of requiring employees to go through corporate whistleblower programs first — a demand a number of big corporations had aggressively pushed. But it did propose greater rewards for people who blow the whistle internally before taking their claims to the agency.

Last week, the SEC set aside \$452 million to reward potential whistleblowers.

Stuart Meissner, a securities lawyer who has filed a number of whistleblower complaints, said he will be combing through the proposed rules to ensure there are legitimate exceptions for barred groups such as in-house lawyers.

“The fact that you're an attorney for a company and come across information of wrongdoing does not mean it's privileged information,” for example, he said.

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