

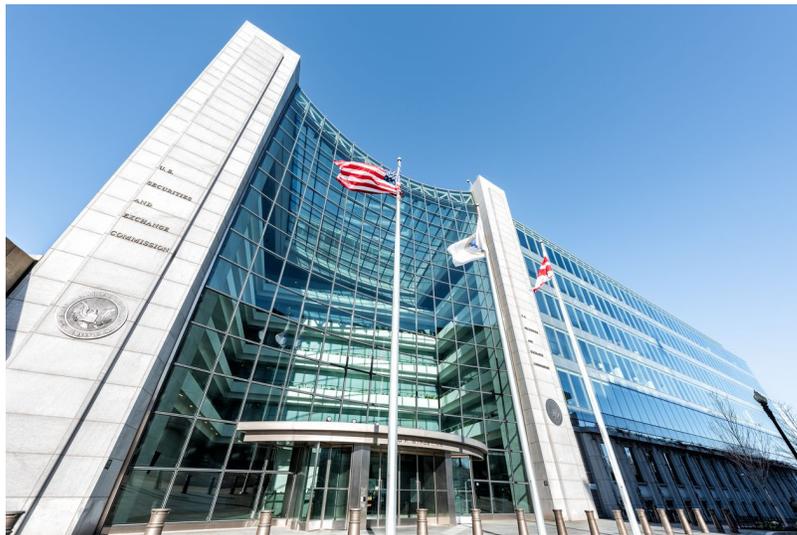
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RISK & COMPLIANCE JOURNAL

Tips to SEC Surge as Working From Home Emboldens Whistleblowers

Over 4,000 reports of potential wrongdoing poured in from mid-March to mid-May. 'These people have more time on their hands,' a lawyer says.



The Securities and Exchange Commission has opened hundreds of new investigations, some of them on fraud related to Covid-19, in response to a deluge of tips.

PHOTO: GETTY IMAGES

By [Mengqi Sun](#)

June 1, 2020 5:30 am ET

A new side effect of remote working, layoffs and furloughs stemming from the coronavirus pandemic: more whistleblowers.

The U.S. Securities and Exchange Commission received about 4,000 tips, complaints and referrals of possible corporate wrongdoings from mid-March to mid-May, said Steven Peikin, co-director of the SEC's enforcement division. That number is 35% higher than it was in the same period last year. The tips have led to hundreds of new investigations—"many Covid-19 related, but many in other traditional areas," Mr. Peikin said [in a recent speech](#).

Lawyers chalk up the increase to the fact that many would-be tipsters are working from the privacy of their home, out of view of snooping colleagues and managers and thus safer from being exposed as whistleblowers. Tipsters might also feel less concerned about retaliation if they are not interacting regularly with their managers, lawyers say; if they have been furloughed or laid off, they might feel even less so.

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"These people have more time on their hands," said Christopher Connors, a managing attorney at the Connors Law Group in Chicago, whose team has taken on at least seven new whistleblower clients since the end of February—a big increase for the firm. "They don't have to go see their bosses, and they may feel a bit more emboldened to report," he said.



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When employees face pressure to meet goals during difficult financial times, the likelihood of wrongdoing can increase. Anticorruption organizations have warned that the current economic tumble could create an environment ripe for bribery.

In recent months, Mr. Connors' clients have raised red flags on possible foreign corruption in health care, pharmaceuticals and technology to the SEC, the Justice Department and the Federal Bureau of Investigation.

Stuart Meissner, an attorney at Meissner Associates in New York, said some of the whistleblower cases brought to him are connected to the pandemic, such as small, public companies promoting home-testing kits that were allegedly fictional. Others presented more typical infractions such as money-laundering, insider trading, accounting gambits and bankruptcy fraud, unrelated to the pandemic, he said.

The economic spiral following coronavirus lockdowns is likely a factor in the rise in calls and reports he has received in recent weeks, he said.

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“This caused companies to do things—whether they worry about survival or failures—that often lead to people doing wrong,” said Mr. Meissner, who said he has filed five complaints on behalf of clients to the SEC.

A record number of whistleblower awards from the SEC this year may also have incentivized more people to report wrongdoing, said Rebecca Katz, who leads the whistleblower litigation team at Motley Rice LLC in New York.

Under SEC rules, a whistleblower can get between 10% and 30% of the fines levied in SEC civil enforcement actions that result from their tip, assuming the fines total more than \$1 million.

Over \$64 million was paid to whistleblowers in the seven months of the fiscal year that began in October—more than the SEC has disbursed in any full year except 2018, according to an analysis of agency records. Most of that total was awarded just since March 23.

Publicity of those awards might have tempted tipsters to come forward, Ms. Katz said.

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