

112TH CONGRESS
1ST SESSION

H. R. 2483

To amend the Securities Exchange Act of 1934 and the Commodity Exchange Act to modify certain provisions relating to whistleblower incentives and protection.

IN THE HOUSE OF REPRESENTATIVES

JULY 11, 2011

Mr. GRIMM (for himself, Mr. GARRETT, Mr. STIVERS, and Mr. CAMPBELL) introduced the following bill; which was referred to the Committee on Financial Services, and in addition to the Committee on Agriculture, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Securities Exchange Act of 1934 and the Commodity Exchange Act to modify certain provisions relating to whistleblower incentives and protection.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Whistleblower Im-
5 provement Act of 2011”.

1 **SEC. 2. AMENDMENTS TO THE SECURITIES EXCHANGE ACT**
2 **OF 1934.**

3 (a) EXCLUSION OF CERTAIN COMPLIANCE OFFICERS
4 AND INTERNAL REPORTING AS A CONDITION OF
5 AWARD.—Section 21F of the Securities Exchange Act of
6 1934 (15 U.S.C. 78u–6) is amended—

7 (1) in subsection (b), by redesignating para-
8 graph (2) as paragraph (3) and inserting after para-
9 graph (1) the following:

10 “(2) INTERNAL REPORTING REQUIRED.—In the
11 case of a whistleblower who is an employee providing
12 information relating to misconduct giving rise to the
13 violation of the securities laws that was committed
14 by his or her employer or another employee of the
15 employer, to be eligible for an award under this sec-
16 tion, the whistleblower, or any person obtaining re-
17 reportable information from the whistleblower, shall—

18 “(A) first report the information described
19 in paragraph (1) to his or her employer before
20 reporting such information to the Commission;
21 and

22 “(B) report such information to the Com-
23 mission not later than 180 days after reporting
24 the information to the employer.”; and

25 (2) in subsection (c)(2)—

1 (A) in subparagraph (C), by striking “or”
2 at the end; and

3 (B) by redesignating subparagraph (D) as
4 subparagraph (F) and inserting after subpara-
5 graph (C) the following:

6 “(D) to any whistleblower who fails to first
7 report the information described in subsection
8 (b)(1) that is the basis for the award to his or
9 her employer before reporting such information
10 to the Commission, in the case where the mis-
11 conduct giving rise to the violation of the secu-
12 rities laws was committed by such employer or
13 an employee of the employer, unless the whistle-
14 blower alleges and the Commission determines
15 that the employer lacks either a policy prohib-
16 iting retaliation for reporting potential mis-
17 conduct or an internal reporting system allow-
18 ing for anonymous reporting, or the Commis-
19 sion determines in a preliminary investigation
20 not exceeding 30 days that internal reporting
21 was not a viable option for the whistleblower
22 based on—

23 “(i) evidence that the alleged mis-
24 conduct was committed by or involved the

1 complicity of the highest level of manage-
2 ment; or

3 “(ii) other evidence of bad faith on
4 the part of the employer;

5 “(E) to any whistleblower who has legal,
6 compliance, or similar responsibilities for or on
7 behalf of an entity and has a fiduciary or con-
8 tractual obligation to investigate or respond to
9 internal reports of misconduct or violations or
10 to cause such entity to investigate or respond to
11 the misconduct or violations, if the information
12 learned by the whistleblower during the course
13 of his or her duties was communicated to such
14 a person with the reasonable expectation that
15 such person would take appropriate steps to so
16 respond; and”.

17 (b) ELIMINATION OF MINIMUM AWARD REQUIRE-
18 MENT.—Subsection (b)(1) of such section is amended—

19 (1) by striking “shall” and inserting “may”;
20 and

21 (2) by striking “in an aggregate amount equal
22 to—” and all that follows and inserting “an amount
23 determined by the Commission but not more than 30
24 percent, in total, of what has been collected of the

1 monetary sanctions imposed in the action or related
2 actions.”.

3 (c) EXCLUSION OF WHISTLEBLOWERS FOUND CUL-
4 PABLE.—Subsection (c)(2)(B) of such section is amended
5 by inserting “, is found civilly liable, or is otherwise deter-
6 mined by the Commission to have committed, facilitated,
7 participated in, or otherwise been complicit in misconduct
8 related to such violation” after “violation”.

9 (d) RULE OF CONSTRUCTION RELATING TO OTHER
10 WORKPLACE POLICIES.—Subsection (h)(1) of such sec-
11 tion is amended by adding at the end the following:

12 “(D) RULE OF CONSTRUCTION.—Nothing
13 in this paragraph shall be construed as prohib-
14 iting or restricting any employer from enforcing
15 any established employment agreements, work-
16 place policies, or codes of conduct against a
17 whistleblower, and any adverse action taken
18 against a whistleblower for any violation of such
19 agreements, policies, or codes shall not con-
20 stitute retaliation for purposes of this para-
21 graph, provided such agreements, policies, or
22 codes are enforced consistently with respect to
23 other employees who are not whistleblowers.”.

24 (e) NOTIFICATION TO EMPLOYER.—Paragraph (2) of
25 subsection (h) of such section is amended—

1 (1) in the paragraph heading, by striking “CON-
2 FIDENTIALITY” and inserting “NOTIFICATION TO
3 EMPLOYER AND CONFIDENTIALITY”;

4 (2) by redesignating subparagraph (A) through
5 (D) as subparagraphs (B) through (E), respectively;

6 (3) by inserting a new subparagraph (A) as fol-
7 lows:

8 “(A) NOTIFICATION OF INVESTIGATION.—

9 “(i) NOTIFICATION REQUIRED.—Prior
10 to commencing any enforcement action re-
11 lating in whole or in part to any informa-
12 tion reported to it by a whistleblower, the
13 Commission shall notify any entity that is
14 to be subject to such action of information
15 received by the Commission from a whistle-
16 blower who is an employee of such entity
17 to enable the entity to investigate the al-
18 leged misconduct and take remedial action,
19 unless the Commission determines in the
20 course of a preliminary investigation of the
21 alleged misconduct, not exceeding 30 days,
22 that such notification would jeopardize
23 necessary investigative measures and im-
24 pede the gathering of relevant facts, based
25 on—

1 “(I) evidence that the alleged
2 misconduct was committed by or in-
3 volved the complicity of the highest
4 level management of the entity; or

5 “(II) other evidence of bad faith
6 on the part of the entity.

7 “(ii) GOOD FAITH.—Where an entity
8 notified under clause (i) responds in good
9 faith, which may include conducting an in-
10 vestigation, reporting results of such an in-
11 vestigation to the Commission, and taking
12 appropriate corrective action, the Commis-
13 sion shall treat the entity as having self-re-
14 ported the information and its actions in
15 response to such notification shall be eval-
16 uated in accordance with the Commission’s
17 policy statement entitled ‘Report of Inves-
18 tigation Pursuant to Section 21(a) of the
19 Securities Exchange Act of 1934 and
20 Statement of the Relationship of Coopera-
21 tion to Agency Enforcement Decisions’.”;
22 and

23 (4) in the heading of subparagraph (B) (as re-
24 designated by paragraph (3)), by striking “IN GEN-
25 ERAL” and inserting “CONFIDENTIALITY”.

1 **SEC. 3. AMENDMENTS TO THE COMMODITY EXCHANGE**
2 **ACT.**

3 (a) **EXCLUSION OF CERTAIN COMPLIANCE OFFICERS**
4 **AND INTERNAL REPORTING AS A CONDITION OF**
5 **AWARD.**—Section 23 of the Commodity Exchange Act (7
6 U.S.C. 26) is amended—

7 (1) in subsection (b), by redesignating para-
8 graph (2) as paragraph (3) and inserting after para-
9 graph (1) the following:

10 “(2) **INTERNAL REPORTING REQUIRED.**—In the
11 case of a whistleblower who is an employee providing
12 information relating to misconduct giving rise to the
13 violation of the securities laws that was committed
14 by his or her employer or another employee of the
15 employer, to be eligible for an award under this sec-
16 tion, the whistleblower, or any person obtaining re-
17 reportable information from the whistleblower, shall—

18 “(A) first reported the information de-
19 scribed in paragraph (1) to his or her employer
20 before reporting such information to the Com-
21 mission; and

22 “(B) report such information to the Com-
23 mission not later than 180 days after reporting
24 the information to the employer.”; and

25 (2) in subsection (c)(2)—

1 (A) in subparagraph (C), by striking “or”
2 at the end; and

3 (B) by redesignating subparagraph (D) as
4 subparagraph (F) and inserting after subpara-
5 graph (C) the following:

6 “(D) to any whistleblower who fails to first
7 report the information described in subsection
8 (b)(1) that is the basis for the award to his or
9 her employer before reporting such information
10 to the Commission, in the case where the mis-
11 conduct giving rise to the violation of the secu-
12 rities laws was committed by such employer or
13 an employee of the employer, unless the whistle-
14 blower alleges and the Commission determines
15 that the employer lacks either a policy prohib-
16 iting retaliation for reporting potential mis-
17 conduct or an internal reporting system allow-
18 ing for anonymous reporting, or the Commis-
19 sion determines in a preliminary investigation
20 not exceeding 30 days that internal reporting
21 was not a viable option for the whistleblower
22 based on—

23 “(i) evidence that the alleged mis-
24 conduct was committed by or involved the

1 complicity of the highest level of manage-
2 ment; or

3 “(ii) other evidence of bad faith on
4 the part of the employer;

5 “(E) to any whistleblower who has legal,
6 compliance, or similar responsibilities for or on
7 behalf of an entity and has a fiduciary or con-
8 tractual obligation to investigate or respond to
9 internal reports of misconduct or violations or
10 to cause such entity to investigate or respond to
11 the misconduct or violations, if the information
12 learned by the whistleblower on the course of
13 his or her duties was communicated to such a
14 person with the reasonable expectation that
15 such person would take appropriate steps to so
16 respond; and”.

17 (b) CAP ON AWARD IN CERTAIN CIRCUMSTANCES
18 AND ELIMINATION OF MINIMUM AWARD REQUIRE-
19 MENT.—Subsection (b)(1) of such section is amended—

20 (1) by striking “shall” and inserting “may”;
21 and

22 (2) by striking “in an aggregate amount equal
23 to—” and all that follows and inserting “in an
24 amount determined by the Commission but not more
25 than 30 percent, in total, of what has been collected

1 of the monetary sanctions imposed in the action or
2 related actions.”.

3 (c) EXCLUSION OF WHISTLEBLOWERS FOUND CUL-
4 PABLE.—Subsection (c)(2)(B) of such section is amended
5 by inserting “, is found civilly liable, or is otherwise deter-
6 mined by the Commission to have committed, facilitated,
7 participated in, or been complicit in misconduct related to
8 such a violation” after “violation”.

9 (d) RULE OF CONSTRUCTION RELATING TO OTHER
10 WORKPLACE POLICIES.—Subsection (h)(1) of such sec-
11 tion is amended by adding at the end the following:

12 “(D) RULE OF CONSTRUCTION.—Nothing
13 in this paragraph shall be construed as prohib-
14 iting or restricting any employer from enforcing
15 any established employment agreements, work-
16 place policies, or codes of conduct against a
17 whistleblower, and any adverse action taken
18 against a whistleblower for any violation of such
19 agreements, policies, or codes shall not con-
20 stitute retaliation for purposes of this para-
21 graph, provided such agreements, policies, or
22 codes are enforced consistently with respect to
23 other employees who are not whistleblowers.”.

24 (e) NOTIFICATION TO EMPLOYER.—Paragraph (2) of
25 subsection (h) of such section is amended—

1 (1) in the paragraph heading, by striking “CON-
2 FIDENTIALITY” and inserting “NOTIFICATION TO
3 EMPLOYER AND CONFIDENTIALITY”;

4 (2) by redesignating subparagraph (A) through
5 (D) as subparagraphs (B) through (E), respectively;

6 (3) by inserting a new subparagraph (A) as fol-
7 lows:

8 “(A) NOTIFICATION TO EMPLOYER.—

9 “(i) NOTIFICATION REQUIRED.—Prior
10 to commencing any enforcement action re-
11 lating in whole or in part to any informa-
12 tion reported to it by a whistleblower, the
13 Commission shall promptly notify any enti-
14 ty that is to be subject to such enforce-
15 ment of information received by the Com-
16 mission from a whistleblower who is an
17 employee of such entity to enable the enti-
18 ty to investigate the alleged misconduct
19 and take remedial action, unless the Com-
20 mission determines in the course of a pre-
21 liminary investigation not exceeding 30
22 days of the alleged misconduct, that such
23 notification would jeopardize necessary in-
24 vestigative measures and impede the gath-
25 ering of relevant facts, based on—

1 “(I) evidence that the alleged
2 misconduct was committed by or in-
3 volved the complicity of the highest
4 level management of the entity; or

5 “(II) other evidence of bad faith
6 on the part of the entity.

7 “(ii) GOOD FAITH.—Where an entity
8 notified under clause (i) responds in good
9 faith, which may include conducting an in-
10 vestigation, reporting results of such an in-
11 vestigation to the Commission, and taking
12 appropriate corrective action, the Commis-
13 sion shall treat the entity as having self-re-
14 ported the information and its actions in
15 response to such notification shall be eval-
16 uated accordingly.”; and

17 (4) in the heading of subparagraph (B) (as re-
18 designated by paragraph (3)), by striking “IN GEN-
19 ERAL” and inserting “CONFIDENTIALITY”.

20 **SEC. 4. STUDY.**

21 The Comptroller General shall conduct a study to de-
22 termine what impact, if any, the whistleblower incentives
23 program established under section 21F of the Securities
24 Exchange Act of 1934 (15 U.S.C. 78u–6) and section 23
25 of the Commodity Exchange Act (7 U.S.C. 26) has had

1 on shareholder value. The Comptroller General shall
2 transmit to Congress a report on the study not later than
3 18 months after the date of enactment of this Act.

○

AMENDMENT TO H.R. 2483

OFFERED BY MR. GRIMM OF NEW YORK

Page 2, line 19, strike “his or her employer” and insert “a person at his or her employer with legal, compliance, financial reporting, or similar responsibilities, or to the board of directors, or a committee thereof, of such employer,”.

Page 2, line 24, strike “to the employer” and insert “in accordance with subparagraph (A)”.

Page 3, line 4, strike “(F)” and insert “(G)”.

Page 3, beginning on line 8, strike “to his or her employer” and insert “in accordance with subsection (b)(2)(A)”.

Page, 4, line 5, strike “(E)” and insert “(F)”.

Page 4, line 6, insert “financial reporting,” after “compliance,”.

Page 4, line 16, strike “and” and insert “or”.

Page 4, after line 4, insert the following:

1 “(E) to any whistleblower who fails to re-
2 port the information described in subsection

1 (b)(1) that is the basis for the award to the
2 Commission within 180 days of reporting such
3 information in accordance with subsection
4 (b)(2)(A);

Page 6, line 8, in the heading, strike “OF INVESTIGATION”.

Page 6, strike line 9 and insert the following:

5 “(ii) NOTIFICATION REQUIRED PRIOR
6 TO ENFORCEMENT.—Prior

Page 6, line 13, insert “promptly” after “shall”.

Page 6, line 18, insert “in light of any new information provided by the Commission” after “action”.

Page 6, after line 8, insert the following:

7 “(i) NOTIFICATION TO EMPLOYER.—
8 The Commission and any officer or em-
9 ployee of the Commission may disclose to
10 the employer such information provided by
11 the whistleblower to the Commission, and
12 in the case where an employer is an issuer
13 the Commission shall disclose to the em-
14 ployer’s audit committee (as defined in sec-
15 tion 3(a)(58) of this title) such information
16 provided by the whistleblower to the Com-

1 mission that reasonably could impact the
2 quality of financial reporting by an issuer,
3 including any information within the scope
4 of section 301 of the Sarbanes-Oxley Act
5 of 2002 (15 U.S.C. 78j-1(m)(4)).

Page 7, line 7, in the heading, strike “(ii)” and insert “(iii)”.

Page 7, line 8, strike “(i)” and insert “(ii)”.

Page 7, line 21, strike the quotation mark and the semicolon.

Page 7, line 22, strike “and” and insert the following:

6 “(iv) OBLIGATION NOT TO RETALI-
7 ATE.—The notification provided to an enti-
8 ty under clause (ii) shall advise the entity
9 of its statutory obligation not to retaliate
10 against the whistleblower who provided the
11 information received by the Commission.”;
12 and



AMENDMENT TO H.R. 2483

OFFERED BY M.S. Waters/Ellison

Page 14, line 1, insert “, market integrity, taxpayer protection, mitigation of harms posed to investors, and the Commission’s ability to successfully pursue enforcement actions” after “value”.

