Dear Secretary Countryman,

As it stands, the current rules create disincentives for potential whistleblowers as it relates to Exchange Act Rules 21F-3 and 21F-6. Such disincentives are brought about in the aforementioned rules due to the commission’s ability to reduce and/or deny awards in relations to other whistleblower programs. In response to the proposed amendments to the whistleblower program rules, provided by the Securities and Exchange Commission, I would like to offer the following as comments on the matter.

1. Proposed Rule 21F-3(b)(3)

Addressing instances in which a whistleblower receives non-SEC awards from alternate whistleblower programs. As detailed by the Association of Certified Fraud Examiners in their annual report to the nations; we find that 32% of fraud reports come from tips/whistleblowers. With the second most reports resulting from internal audit at 18%. Showing a need to maximize incentives for whistleblowers in order to detect and enforce rules. Additionally, the commission reported an increase of 300% in whistleblower tips since 2012. With the proposed amendment to rule 21F-3(b)(3), the Securities and Exchange Commission can further the maximization of whistleblower tips by means of providing monetary awards. The proposed amendment would also procure a means of further enforcement of SEC regulations.

Additionally, I am concerned due to the implications of the Offset Approach. As put by the commission, in the instance in which a whistleblower receives awards by another non-SEC program; the commission will “offset” the total award payment by the amount awarded from the other award program. Furthermore the commission later states differently, “the Commission could reduce the amount it paid on its related action award by the amount that the other agency paid”. However, I believe that this would violate the later amendment of proposed rule 21F-6. As it provides “that the Commission “shall not” use the dollar amount of a potential award when applying the factors specified in paragraphs (a) and (b), or in any other way, to lower a potential award.
As noted below and by the commission, large awards directly heighten public interest and increase whistleblower reports of securities-law violations. Alternatively to the Offset Approach, I ask the commission to add an additional approach to this amendment; whereby a whistleblower would receive the full amount of monetary awards by the commission in instances where whistleblowers also receive awards from other comparable programs.

2. Proposed Rule 21F-6

The second amendment proposes the withdraw of the commission’s authority to reduce whistleblower awards. Similar to the amending rule 21F-3, the initiative is to maximize incentives to increase whistleblower reporting and deter wrongdoers. Additional findings by the National Whistleblower Center also show a correlation to award amounts and whistleblower reports. Stating, the higher amount of an award leads to an increased willingness to report securities law violations. So by amending rule 21F-3 the maximization of monetary awards for eligible awards is made prominent. Thus reducing whistleblower uncertainty and increasing confidence in reporting violations.

Conclusion

In conclusion the current rules serve as disincentives and creates uncertainties for whistleblowers. The new proposed amendments are consistent with the commissions goals of furthering the Whistleblower Program; and providing incentives and protection for whistleblowers. However, I ask that the commission consider the aforementioned implications of the offset approach in how it relates to proposed Rule 21F-6. Decisively, I am in support of the purposed rules.

Sincerely,

Andres O. Rodriguez
Accountant