

NASAA Board Approves the Release for Public Comment of a Proposed Model Act to Award and Protect Whistleblowers

WASHINGTON, D.C. (May 26, 2020)—The North American Securities Administrators Association (NASAA) announced today that its Board of Directors has approved for release for public comment a proposed model act to help states provide a safe environment for individuals to come forward to report suspected wrongful securities practices to state securities regulators.

“The intent of this model legislation is to incentivize individuals who have knowledge of potential securities law violations to report it to state regulators in the interest of investor protection,” said Christopher W. Gerold, NASAA President and Chief of the New Jersey Bureau of Securities.

“Information from those with knowledge of securities law violations is a valuable enforcement tool to help regulators detect financial fraud and wrongdoing,” Gerold said. “Providing a safe environment for whistleblowers to come forward can lead to the earlier detection of securities law violations, which, in turn, provides regulators with a greater opportunity to stop the conduct alleged sooner, and prevent additional investors from being harmed.”

Among other provisions, the proposed model act provides a state’s securities regulator with the authority to make monetary awards to whistleblowers based on the amount of monetary sanctions collected in any related administrative or judicial action, up to 30 percent of the amount recovered. The model act also would protect whistleblower confidentiality, prohibit retaliation by an employer against a whistleblower, and create a cause of action and provide relief for whistleblowers retaliated against by their employer.

Gerold noted that the proposed model act draws upon the whistleblower award provisions contained in Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as well as from current state law in Indiana and Utah.

Indiana's law, enacted in 2012, is credited with helping the state's securities regulators uncover an issue that led to a \$950,000 settlement with a large Wall Street firm and an award of \$95,000 to the whistleblower. Using Utah's whistleblower protection law enacted similar legislation in 2011, the Utah Securities Division awarded \$15,000 to a Utah financial adviser who reported a suspicious investment sold to one of his clients.

The proposed model act was developed by NASAA's Board-level State Legislation Committee led by Montana Deputy Securities Commissioner Lynne Egan, and its Whistleblower Protections/Awards Working Group, led by Faith Anderson, Chief of Registration & Regulatory Affairs with the Washington Securities Division.

The proposed model act is included in the Notice of Request for Public Comment on the NASAA website [here](#). The proposed model act is open for public comment through June 30, 2020.

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