

[Securities Regulation Daily Wrap Up, TOP STORY—SEC sets records for penalties and disgorgement obtained, whistleblowers awarded, \(Nov. 3, 2020\)](#)

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In a year of challenges, the Commission obtained almost \$4.7 billion from violators while paying out \$175 million to whistleblowers.

The SEC Division of Enforcement has reported that the 715 enforcement actions it brought last year resulted in the Commission obtaining a record \$4.68 billion in disgorgement and penalties from violators of the federal securities laws. In its annual report for fiscal year 2020, the Division announced that these enforcement efforts returned more than \$600 million to harmed investors. In addition, the SEC awarded a record \$175 million to 39 whistleblowers, both the highest dollar amount and the highest number of individuals awarded in any fiscal year.

"[This year's report](#) highlights Enforcement's extraordinary efforts across the country to identify wrongdoing and take meaningful action to protect American investors from misconduct, including in the face of the many challenges imposed by COVID-19," said SEC Chairman Jay Clayton in a [news release](#).

COVID-19. In the report's introductory message, Enforcement Division Director Stephanie Avakian noted that COVID-19 colored much of the last half of the SEC's fiscal year, which ended on September 30, 2020. This impact included not only how and where the staff did its work, but also the Division's areas of focus, the investigations that were opened, and the actions that were recommended. "By mid-March, the entire Division had transitioned to mandatory telework and essentially all of our operations were conducted remotely," she observed. "Despite the shift in working conditions—and the still-ongoing efforts to adapt to those conditions—we quickly dedicated substantial resources to address the emerging threats presented by COVID-19 and the ensuing dynamic market conditions," she wrote.

Avakian stated that the Division formed a Coronavirus Steering Committee in March to oversee the effort to protect retail investors by coordinating investigations concerning potential misconduct in such areas as microcap stocks, insider trading, and financial fraud and issuer disclosure. As a result of the Division's quick investigative work, she wrote, the SEC suspended trading in the securities of two dozen issuers in March and April where there were questions regarding the accuracy and adequacy of information related to COVID-19, including claims about potential treatments, the manufacture and sale of personal protection equipment (PPE), and disaster-response capabilities. From mid-March through the end of the fiscal year, the Division's Office of Market Intelligence reviewed approximately 16,000 tips, complaints, and referrals, and the Division opened more than 150 COVID-related inquiries and investigations.

Overall, the majority of the 405 standalone enforcement cases brought by the SEC in FY 2020 concerned securities offerings (32 percent), investment advisory and investment company issues (21 percent), and issuer reporting/accounting and auditing matters (15 percent). Other significant categories included actions relating to broker-dealers (10 percent), insider trading (8 percent), and market manipulation (5 percent).

Whistleblower program. The SEC's whistleblower program received over 23,650 tips, complaints, and referrals (TCRs) in FY 2020, representing about a 40 percent increase over the approximately 16,850 TCRs received in the prior fiscal year. Avakian noted that the process improvements implemented by the Commission over the past year to streamline and accelerate the evaluation of claims has yielded considerable results. As a result of the increased rate at which whistleblower claims were evaluated and awards were issued, the Commission issued a record \$175 million in total awards to 39 individuals, representing a 200 percent increase in the number

of individuals awarded in a single year over the next-highest year. The Division also made a record number of preliminary determinations, which set forth the assessment of the Division's Claims Review Staff regarding whether a claim should be approved or denied and, if approved, the proposed award amount, as well as final Commission orders of awards and denials.

Avakian observed that the whistleblower program has continued to achieve new milestones even in the short time period since the Commission's fiscal year ended. On October 22, 2020, the Commission [issued the largest whistleblower award in its history](#), awarding a single whistleblower approximately \$114 million.

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