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SEC Settles With BlackRock Over Whistleblower Waivers

Share us on: By [Martin O'Sullivan](#)

Law360, New York (January 17, 2017, 3:20 PM EST) -- The [U.S. Securities and Exchange Commission](#) on Tuesday announced a settlement with [BlackRock Inc.](#) over allegations that the asset manager made departing employees forgo their right to collect whistleblower awards.

New York-based BlackRock will pay \$340,000 to settle accusations that it improperly compelled more than 1,000 exiting employees to ink separation agreements waiving their right to collect awards for reporting company misconduct under the Dodd-Frank Wall Street Reform and Consumer Protection Act. The firm allegedly added the clause to its agreements for exiting employees in October 2011 after the SEC instituted its whistleblower program, and it continued using the agreements until earlier this year.

“BlackRock took direct aim at our whistleblower program by using separation agreements that removed the financial incentives for reporting problems to the SEC,” Anthony Kelly, co-chief of the SEC Enforcement Division’s Asset Management Unit, said in a release. “Asset managers simply cannot place restrictions on the ability of whistleblowers to accept financial awards for providing valuable information to the SEC.”

BlackRock did not immediately respond to a request for comment on Tuesday.

The investigation uncovered no instances in which an employee who had signed the waiver chose not to report a securities violation, or in which BlackRock tried to suppress such reporting, according to the SEC.

The SEC said that in addition to removing the waiver from its separation agreements, BlackRock has instituted mandatory yearly programs to train employees on their rights under the SEC’s whistleblower program.

Jane Norberg, chief of the SEC’s whistleblower office, said that the settlement with BlackRock highlights the agency’s commitment to making sure whistleblowers are “unimpeded.”

“Companies should review and revise their agreements that stifle whistleblowers from reporting to the SEC,” Norberg said.

Under the agreement, BlackRock did not admit or deny the SEC's allegations.

The SEC [earlier this month](#) handed down a \$5.5 million whistleblower bounty, the agency's 38th award since issuing its first in 2012. The SEC said that enforcement actions from whistleblower tips have resulted in more than \$904 million in financial remedies.

The SEC investigation was conducted by its own Alfred Tierney and Luke Pazicky. Counsel information for BlackRock was unavailable on Tuesday.

The case is In the Matter of BlackRock Inc., administrative proceeding number 3-17786, before the Securities and Exchange Commission.

--Additional reporting by Pete Brush. Editing by Sara Ziegler.

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