Press Release

BlackRock Charged With Removing Whistleblower Incentives in Separation Agreements

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Washington D.C., Jan. 17, 2017 — The Securities and Exchange Commission today announced that New York-based asset manager BlackRock Inc. has agreed to pay a $340,000 penalty to settle charges that it improperly used separation agreements in which exiting employees were forced to waive their ability to obtain whistleblower awards.

According to the SEC's order, more than 1,000 departing BlackRock employees signed separation agreements containing violative language stating that they "waive any right to recovery of incentives for reporting of misconduct" in order to receive their monetary separation payments from the firm.

BlackRock added the waiver provision in October 2011 after the SEC adopted its whistleblower program rules, and the firm continued using it in separation agreements until March 2016.

"BlackRock took direct aim at our whistleblower program by using separation agreements that removed the financial incentives for reporting problems to the SEC," said Anthony S. Kelly, Co-Chief of the SEC Enforcement Division's Asset Management Unit. "Asset managers simply cannot place restrictions on the ability of whistleblowers to accept financial awards for providing valuable information to the SEC."

Jane Norberg, Chief of the Office of the Whistleblower, added, "This enforcement action against BlackRock underscores our ongoing commitment to ensure the lines of communication between whistleblowers and the SEC remain unimpeded. Companies should review and revise their agreements that stifle whistleblowers from reporting to the SEC."

BlackRock consented to the SEC's order without admitting or denying the findings that it violated Rule 21F-17. The order notes that BlackRock voluntarily revised its separation agreement and took a number of remedial actions, including the implementation of mandatory yearly training to summarize employee rights under the SEC's whistleblower program.

The SEC's investigation was conducted by Alfred Tierney and Luke Pazicky and supervised by Adam Aderton of the Asset Management Unit.

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Related Materials

- SEC Order
- Spotlight on Whistleblower Awards