

CONTROLLING WHISTLEBLOWER RISK THROUGH INTERNAL TECHNOLOGY CONTROLS USING WHISTLEBLOWER PLUS



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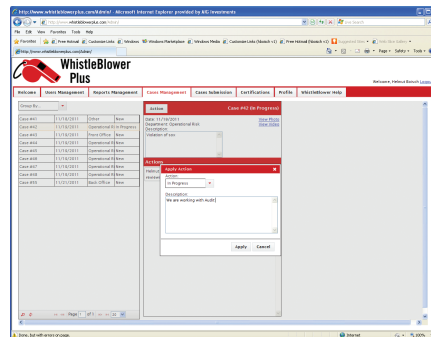
Over the past several years an increased emphasis has been placed on ethics, compliance, and regulatory violations by leveraging whistleblower incentive programs to notify regulatory authorities. The SEC through Dodd-Frank updates, have spearheaded a movement to collect millions of dollars of fines from the investment community by leveraging employee whistleblowers. Investment firms can reduce the risk of large fines, damaged reputations, and unnecessary regulatory oversight by implementing strong internal controls that go beyond the typical company hotline that is simply not robust enough to mitigate the increased risks associated with incentive programs.

Employees are the eyes and ears of every individual group and department of Wall Street firms. However, before the 2008 collapse of the financial markets, internal systems for anonymous reporting of violations or ethics breaches had been largely ignored. With ethics questions looming over the collapse of some of Wall Street's largest banks, the power of the individual employee has begun to take on a new meaning.

The Dodd-Frank Act's newest reforms include strong incentive programs for whistleblowers. Individuals who report violations of securities and commodities law, as well as corrupt foreign practices law, to government entities such as the SEC or Commodities Futures Trading Commission are now entitled up to 30% of government recovery fines issued over \$1 million. Furthermore, the Federal government has been protecting the rights of whistleblowers since 1989 through the Whistleblower Act. The Dodd-Frank Act recently created further protections for employees reporting violations to the SEC or CFTC. These protections allow a whistleblower to recover back pay for lost wages, front pay for future wages, compensatory damages, litigation costs, etc. The SEC has recently disclosed that Whistleblower bounties are being sought at a rate of seven per day since the new program went into effect.

So what can a Compliance group do to strengthen internal controls while mitigating the risks from these new incentive programs? The answer lies in auditable controls and monitoring of employee reporting through the accessible and user-friendly technology

of WhistleBlower Plus. Our system allows the individual employees to easily and discreetly report perceived breaches on their Blackberry devices, and use the Blackberry's ability to capture photo or video evidence when or if necessary. These reports are sent directly to the firm's Compliance group and are recorded in a database for review or further research. The Compliance group can coordinate with Audit groups to initiate reviews of policies and procedures perceived to be compromised, or investigate the reported matter themselves. The WhistleBlower Plus system allows the

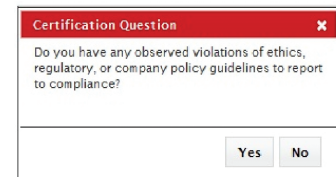


firm's compliance administrator to log on and review cases, update status and ensure that all recorded cases (past and present) are auditable and well documented.

The WhistleBlower Plus system also allows the Compliance group to proactively seek-out certifications from company employees via email, ensuring a timely and documented confirmation of compliance with required regulations. This pro-active certification also provides employees with opportunities to report observed or perceived breaches. By regularly scheduling pro-active employee

certifications, the firm/company can both document the extra steps it takes to stay in compliance as well as identify and track employees who completely bypass the internal controls and report to external entities for financial rewards.

The ability to automate, track, monitor, audit, and document cases or potential cases of ethics or regulatory violations are constantly used by compliance teams to ensure strong controls for securities and trading. Strengthening controls around internally



reported violations no longer need to reside solely with a hotline. The fines associated with these violations, at worst, can cripple an investment firm, and at best, cause reputation risk. Investment firms should not fear internal whistleblowers but instead, embrace them with strong and proactive controls to help address and correct perceived violations that could otherwise create legal ramifications. Protect your firm and provide your employees with a proper outlet using "WhistleBlower Plus."

Contact us at
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