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“Disturbing” drop in whistleblower payouts alarms lawyers

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A steep decline in whistleblower rewards indicates two US agencies are not upholding a legal mandate to incentivise reports of financial wrongdoing, lawyers told GIR.

The Securities and Exchange Commission denied more than 85% of claims submitted through its whistleblower rewards programme last year, while the Commodity Futures Trading Commission has denied more awards halfway through 2026 than it has in any of the previous five full years, according to a review of data by GIR.

Former agency lawyers view the denials, many of which have occurred contrary to the agencies’ established processes, as part of President Donald Trump’s administration’s shift of priorities to disfavour whistleblowers.

Meanwhile, an SEC decision to cut payout amounts shows that the administration is deprioritising incentives for people to come forward with evidence of financial misconduct, lawyers said.

“Protecting and supporting whistleblowers does not seem to be a priority of the leadership of either agency,” said Christina McGlosson, a former CFTC and SEC official now at Cohen & Milstein in Washington, DC. “And that’s disturbing.”

Numbers slashed

Many of the whistleblower cases that have been denied by the securities watchdog have made their way through the agency’s normal process before rejection by the three-person commission, all of whom are Trump appointees, several former SEC lawyers told GIR.

The established process for determining whether to approve a payout and how much to allocate is lengthy and can generally involve 15 to 20 different lawyers, said a former SEC official who requested anonymity to discuss the agency’s deliberative process.

During the proceedings, which are not public and can take years, line-level enforcement lawyers in the SEC’s whistleblower office determine which among the thousands of tips submitted per year are substantive enough to lead to an investigation and enforcement action, the former official said.

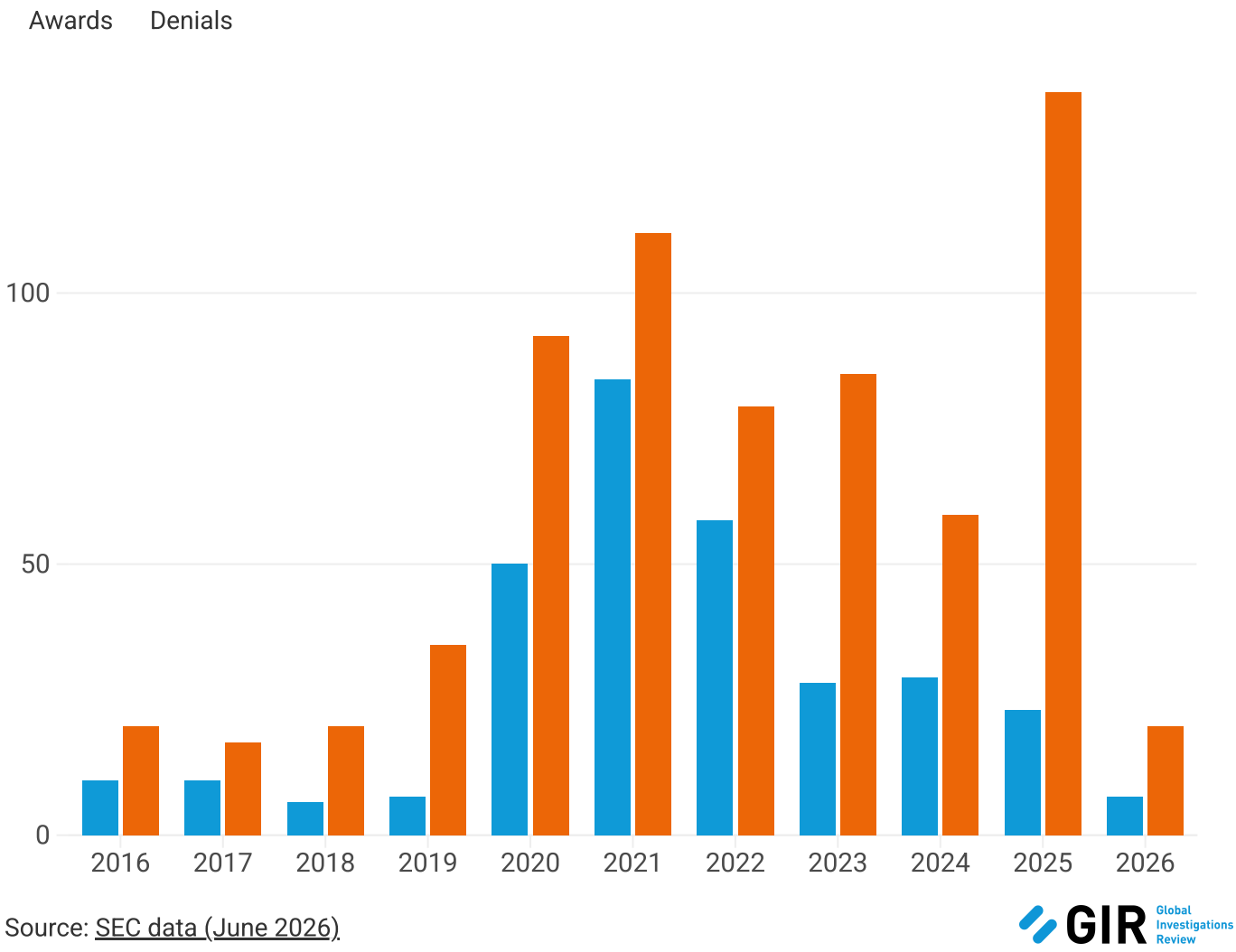
The whistleblower office staff then brings the successful claims to a panel of lawyers across the enforcement and several other divisions, overseen by a lawyer in the office of the general counsel, known as the “claims review staff”. The panel quizzes the whistleblower office lawyers about their decision and the reward amount. Meanwhile, lawyers representing the whistleblower also often argue that their client deserves a larger reward, the official said.

After those negotiations, the whistleblower office staff writes a memo advocating for their recommendation for the reward. Written in the form of a legal brief, it must be approved by members of the claims review staff before it is presented to the full commission for a vote.

The commission approved 23 rewards in 2025 alongside 137 denials. That proportion is down from 29 awards and 59 denials in 2024 and 84 and 111, respectively, in 2021, according to data compiled by GIR.

Previously, when the memos went before the SEC’s commission for a vote, it was rare for commissioners to vote against them, said the former official and other former SEC lawyers, who also requested anonymity to discuss the deliberative process.

Now, the lawyers said, commissioners either deny the claims outright or slash the payouts, contradicting the established process.



Narrowing the criteria

The denials are likely rooted in an overall scepticism of whistleblowers from commission chair Paul Atkins, lawyers said, and a larger shift away from the pro-whistleblower culture under the Biden administration.

Several lawyers who spoke to GIR pointed to previous congressional testimony by Atkins critical of the Dodd-Frank Act, which governs provisions for whistleblowers. In 2011, Atkins, then a visiting scholar at the centre-right think-tank American Enterprise Institute, **told the US Senate committee on banking, housing and urban affairs** that the law contained “perverse incentives” for whistleblowers and their lawyers to wait until a potential account wrongdoing became lucrative enough to justify filing a claim, as well as other “inherent problems”.

Later, in 2015, Atkins, then CEO of a financial services consultancy, also **told a US House committee** that “one could write a book about the various problems with the statutory

text and implementation" of the Dodd-Frank Act, arguing that its many detailed provisions presented problems for capital markets.

The commissioners are now taking a very narrow view of how the rules apply to individual cases when denying awards, said Dominick Freda, who spent 22 years at the SEC, most recently serving as an assistant general counsel for appellate litigation. He is now legal director at the securities research and advocacy group Better Markets.

"Some of the grounds that they're using are pretty questionable," Freda said, noting that the trends have correlated with commissioners' reading of the statute to immediately favour denials.

"There seems to be a connection between the drop in grants at the same time as there seems to be a narrowing in the way that they're reading their own rules," he said.

Denying in such numbers is contrary to the incentives promised by the Dodd-Frank Act, Freda said.

Better Markets has recently filed two briefs in support of whistleblowers seeking recoveries, Freda noted. The first, **filed in early March**, argued that commissioners improperly denied a case on procedural grounds rather than on the merits of the claim. In **another filed later that month**, the organisation that commissioners acted "arbitrarily and capriciously" by denying a claim to a whistleblower who brought a claim without a lawyer.

In May, SEC deputy director of enforcement Jason Burt **told GIR** that the number of denials reflected the agency "cleaning up matters that needed cleaning up" and that a "great percentage" of tips led to successful enforcement actions.

At a conference earlier that month, SEC commissioner Hester Peirce **said** the agency is still prioritising the programme despite a drop in payouts from $255 million in 2024 to $60 million last year.

"The main message is that our whistleblower programme is very important and we will continue to put resources into it," Peirce said.

In a statement to GIR, an SEC spokesperson said the agency "continues to process whistleblower claims" and to make awards to those who voluntarily come forward with original information leading to successful enforcement actions.

"All award claims are judged based on their individual facts and circumstances," the spokesperson said.

Award cut in half

In a recent case, commissioners used a procedural rule to slash the amount of a whistleblower's payout, calling it evidence of the commission's political motivations, lawyers told GIR.

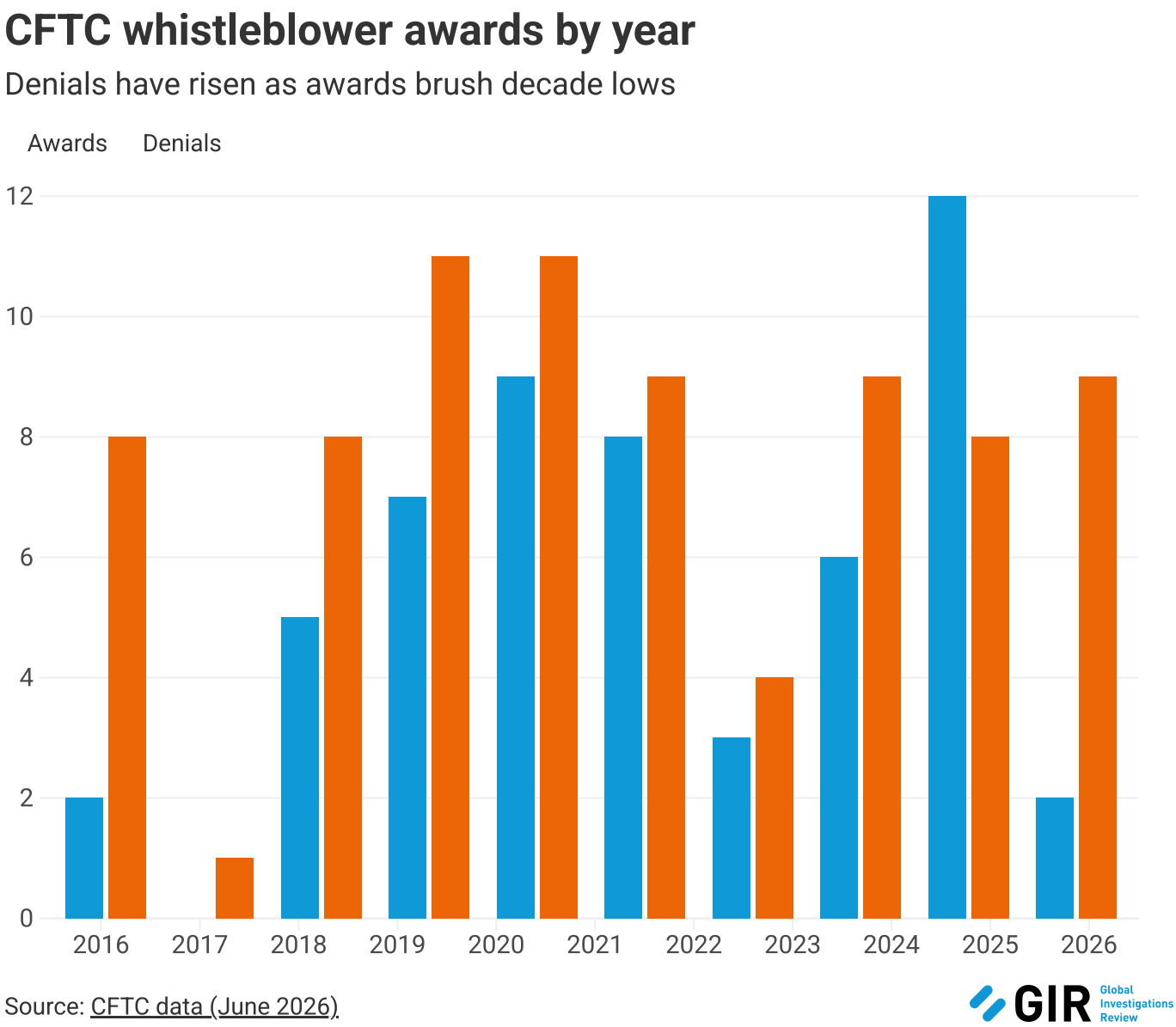
The claim, which was **reportedly tied** to a $3 billion settlement with Wells Fargo, resulted in a $53 million payout, which had been cut by roughly half from the amount that had been previously determined by the claims review staff. The commission's 7 April **order** cited "insufficient record evidence" of the amount that the panel had previously determined as justification for the decision.

The procedural move, called a "superseding preliminary determination", interfered with the whistleblower's ability to receive the originally allocated payout, said Christina Milnor, a former SEC administrative lawyer in the office of general counsel and enforcement divisions, who now represents whistleblowers at her solo practice in Virginia.

"As somebody who has worked with whistleblowers in various roles since 2010, I find it very concerning, this step of a superseding preliminary determination," she said.

The process has not been used by previous administrations, she said, and shows that the current SEC officials are not supporting the goals of the whistleblower programme.

"The decision to have this extra procedural step, which is not contemplated by the regulations, reflects that kind of ideology against whistleblower rewards," she said. "My impression is that this commission believes that whistleblowers should get paid, but not as much as they had previously," she said.



“Carryover” to CFTC

On the CFTC side, denials are already higher in early June than any full year dating back to 2020.

The trend of denials seems to be a “carryover” from the SEC’s shifting priorities, said McGlosson of Cohen & Milstein.

McGlosson, who served in the CFTC’s enforcement division from 2017 to 2021 and as acting director of its whistleblower office from 2023 to 2024, noted that the agency had paid out **nearly $200 million** to a whistleblower in 2021. At the time, she said, it was the largest whistleblower reward under Dodd-Frank, only surpassed by a **$279 million SEC award** in 2023, she said.

The CFTC’s programme has been seen as a success story overall – so much so that it has occasionally faced funding difficulties, McGlosson said, pointing to a **2023 statement** by

US Senator Chuck Grassley warning that CFTC’s programme should not become a “victim of its own success”.

Now, she said, the number of denials has also corresponded with a large backlog in cases, the origin of which she called an “enigma”.

“Even older awards somehow are not being processed, and given the CFTC’s prior successes in this area, I fail to understand why that is,” she said.

The number of denials isn’t because of line-level staff, McGlosson said, instead calling it a more “systematic” issue.

“I supervised and hired many of the attorneys in that office, and I know those attorneys are exceptional,” she said. “No one can understand why nothing's moving through the whistleblower office.”

The CFTC did not respond to a request for comment.

GIR US Editor Mark Taylor contributed reporting.



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