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Q&A: Christopher Ehrman, Director, CFTC's Whistleblower Office

The 2010 Dodd-Frank financial-reform bill established the closely-watched whistleblower program run by the Securities and Exchange Commission. It also spawned a lesser known whistleblower program that also offers bounties to tipsters at the U.S. Commodity Futures Trading Commission.



CFTC

Christopher Ehrman heads the U.S. Commodity Futures Trading Commission's whistleblower office.

Christopher Ehrman, a SEC veteran, was appointed in July to lead the CFTC's program as the director of its whistleblower office. He spoke with Risk & Compliance Journal about his experience in the role so far and plans for the future.

While the learning curve on the CFTC's subject matter has been high, Mr. Ehrman said his experience working in enforcement at the SEC has helped him cultivate tips. He also stays in close contact with his counterpart in the SEC's whistleblower office, [Sean McKessy](#).

This interview has been condensed and edited for clarity.

How is the program going so far?

Mr. Ehrman: It's going great. The number of tips we have is up. In fiscal year 2012, we had 58 tips and in fiscal 2013, we had 138. That's a pretty big jump. My predecessor did a great job of setting the office up.

The analogy we'd use at the SEC is that you're building the plane while you're flying it. It takes time. This is a program that, whether it's successful or not will be measured in terms of 10 years.

I do a lot of listening. There are a lot of very smart experienced people here. This is a learning experience for me as far as the substantive side. The good news is there are a lot of similarities between the CFTC and the SEC in how they operate

What kind of tips are coming in? Are most of them relevant to the areas the CFTC regulates?

Mr. Ehrman: Some of the tips involve price manipulation, disseminating false information into the marketplace, trading ahead or frontrunning customer orders. They have general sort of trade practice violations like wash sales. Then there are some about Ponzi schemes and foreign exchange fraud.

We don't get a lot of complaints that don't relate to the commodities markets and futures and derivatives. We're dealing with professional traders and types of transactions and instruments that aren't suitable for retail investors. What the SEC does impacts ordinary citizens much more so than what we do here.

The SEC's whistleblower chief has said he plans to enforce the anti-retaliation provisions of Dodd-Frank. What's the CFTC's stance on that?

Mr. Ehrman: Right now the view of the CFTC is that we don't enforce that. Whether that changes in the future, who knows, but that is a stark difference between the SEC's program and ours.

How have you tried to get the word out to potential whistleblowers? As you mentioned, it's a somewhat different audience than the SEC.

Mr. Ehrman: My first goal is to have an interview with the Wall Street Journal [laughs].

The place I'm going to need to go first and foremost is the National Futures Association, the self-regulatory organization we oversee and all of the market participants are members there. My hope is at some point that maybe we can get the program into relevant exam materials.

I'm going to take trips out to the CFTC's regional offices, try to meet with the exchanges. I'm here to be a steward for the program, but I know they'll always know more than me. I'm a new guy.

Has your experience at the SEC help you run the office so far?

Mr. Ehrman: One is just understanding enforcement. I'm an enforcement guy and I did investigations and brought cases for a number of years. I understand what folks in enforcement are looking for.

Whistleblower complaints have no intrinsic value. When they're just sitting here with me, they just don't mean anything. They're valuable to the enforcement division so that they can bring investigations.

I had a lot exposure to the SEC's whistleblower process when I was there.

Dodd-Frank created your program as well as the SEC's—could you discuss any current or potential interaction between the two?

Mr. Ehrman: As former SEC person, I have a lot of relationships with them. I have a fantastic working relationship with Sean McKessy, who runs their office of the whistleblower. I talk to Sean regularly, we e-mail each other, our two regulatory schemes are essentially identical.

Our whistleblower rules are designed to be harmonized with the SEC's, simply because there are a lot of financial institutions that operate in both spaces. There may come a time when there's a case that invokes the jurisdiction of both agencies.

You've got some of these larger institutions that are in commodities space and in the securities space. There can be instances where someone takes a securities position and they hedge it with a future. There are situations that could arise where there could be potential violations of their laws and ours.

Sometimes I'll be reading a rule and think "Hey this is an interesting issue, Sean have you come across this?" It gives me some comfort to have a comrade in arms to talk through things with. I don't hesitate to pick up the phone or send him an e-mail, nor does he.

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