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## News release

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Contact Richard Denniss 0419 222 511 02 6249 6221 (bh)

### **Pay whistleblowers to dob in corporate crooks**

Providing financial incentives to get corporate crooks to dob in their mates could wipe out insider trading and collusion according to a new Australia Institute report.

Dr Bruce Chapman from the Australian National University and Richard Denniss from the Australia Institute make the proposal in an Institute report, "Using rewards to catch white collar criminals", released today.

The paper recommends a novel scheme to replace corporate penalties with a fine mechanism dubbed the Repayment of Gains Unlawfully Earned, or ROGUE.

ROGUE would reward whistleblowers for providing information to regulators and see corporate criminals pay penalties from future profits, or their own future income. Such penalties would be collected through the tax system to reduce the risk of non-payment.

Any rewards paid to whistleblowers would be financed by the penalties paid.

"In order to detect cartels and insider trading it is necessary to provide an incentive to individuals to supply useful information to the regulators," said Richard Denniss, Senior Research Fellow at the Australia Institute.

"The current system just isn't working.

"Offering financial incentives to individuals engaged in illegal activity in return for the provision of evidence against other participants could eliminate price fixing and insider trading in Australia."

Mr Denniss said that while collusion and insider trading were often characterised as victimless crimes, they imposed large costs on individuals and the economy and were difficult to detect. Throughout the 1990s there were only six prosecutions for insider trading in Australia.

"Financial incentives to expose hidden crime would encourage conspirators to shift from being part of the crime to reporting its existence. Even those who don't want to dob in their friends would have to consider the possibility that their friends might dob them in.

"Under ROGUE, a minimum of \$10,000 or ten per cent of the fine, whichever is greater, would be delivered to the informant at the time the penalty is set.

"If this scheme were implemented tomorrow I think there would be some pretty nervous faces around the boardrooms of Australian businesses" Mr Denniss concluded.